SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB
QUARTERLY REPORT
UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTER ENDED JUNE 30, 2001
COMMISSION FILE NO. 0-30124

SONUS COMMUNICATION HOLDINGS, INC.
A DELAWARE CORPORATION
IRS EMPLOYER IDENTIFICATION NO. 54-1939577
55 JOHN STREET, 2ND FLOOR, NEW YORK, NY 10038
TELEPHONE - (212) 285-4300

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Common stock $.0001 par value, 12,179,779 shares outstanding as of July 31, 2001.

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PART I. FINANCIAL INFORMATION:

ITEM I. CONSOLIDATED FINANCIAL STATEMENTS:

SONUS COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION see Note 2)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2001	December 31, 2000
- ASSETS –		
CURRENT ASSETS:		
Cash and cash equivalents	$ 508,929	$ 32,884
Accounts receivable, net of allowance for doubtful accounts of $147,671 in 2001 and $125,020 on 2000	1,504,549	1,524,168
Prepaid expenses and other	115,018	53,188
TOTAL CURRENT ASSETS	2,128,496	1,610,240
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $234,433 in 2001 and $168,088 in 2000	488,421	479,124
GOODWILL, NET	3,392,007	3,515,352
SECURITY AND EQUIPMENT DEPOSITS	795,993	446,756
TOTAL ASSETS	$ 6,804,917	$ 6,051,472
- LIABILITIES AND STOCKHOLDERS' EQUITY –		
CURRENT LIABILITIES:		
Accounts payable	$ 263,544	$ 4,117,250
D.I.P. note payable	583,429	-
Current portion of capitalized lease obligation and convertible debentures	230,000	311,422
Due to shareholders	-	57,000
Accrued taxes	302,196	277,305
Accrued expenses, other	423,280	25,035
TOTAL CURRENT LIABILITIES	1,802,449	4,788,012
LONG-TERM LIABILITIES:		
Convertible debentures, net of discount and current portion	114,854	93,614
Capitalized lease obligations, net of current portion	-	370,032
Other non-current liabilities	-	38,000
TOTAL LONG-TERM LIABILITIES	114,854	501,646
LIABILITIES SUBJECT TO COMPROMISE	4,515,225	-
TOTAL LIABILITIES	6,432,528	5,289,658
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.0001 par value; 100,000,000 shares authorized; 12,179,779 shares and 12,092,285 shares issued and outstanding in 2001 and 2000	1,218	1,209
Additional paid-in capital	10,423,877	9,958,922
Accumulated deficit	(10,052,706)	(9,198,317)
TOTAL STOCKHOLDERS' EQUITY	372,389	761,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,804,917	$ 6,051,472

See notes to consolidated financial statements

SONUS COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION see Note 2)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
OPERATING REVENUE:				
Telecommunication services	$ 2,490,325	$ 2,250,009	$ 5,135,210	$ 2,417,826
OPERATING EXPENSES:				
Direct expenses	1,549,304	2,078,915	3,181,817	2,451,309
Selling, general and administrative	1,428,666	1,658,357	2,693,266	2,239,900
Goodwill amortization	61,673	92,291	123,346	92,291
	3,039,643	3,829,563	5,998,429	4,783,500
LOSS FROM OPERATIONS	(549,318)	(1,579,554)	(863,219)	(2,365,674)
OTHER INCOME (EXPENSE)				
Interest (expense)	(117,340)	(58,140)	(225,219)	(55,690)
LOSS BEFORE REORGANIZATION ITEMS, INCOME TAXES AND EXTRAORDINARY GAIN	(666,658)	(1,637,694)	(1,088,438)	(2,421,364)
REORGANIZATION ITEMS				
Legal and professional expenses	191,549	-	219,145	-
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY GAIN	(858,207)	(1,637,694)	(1,307,583)	(2,421,364)
Provision for income taxes	-	-	-	-
LOSS BEFORE EXTRAORDINARY GAIN	(858,207)	(1,637,694)	(1,307,583)	(2,421,364)
Extraordinary gain – forgiveness of debt	379,389	-	453,194	-
NET LOSS	$ (478,818)	$(1,637,694)	$ (854,389)	$(2,421,364)
LOSS PER COMMON SHARE:				
Loss before extraordinary gain	$ (.07)	$ (.23)	$ (.11)	$ (.37)
Extraordinary gain – forgiveness of debt	.03	-	.04	-
BASIC AND DILUTED NET LOSS	$ (.04)	$ (.23)	$ (.07)	$ (.37)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	12,098,054	7,248,071	12,095,186	6,547,662

See notes to consolidated financial statements.

SONUS COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION see Note 2)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (854,389)	$(2,421,364)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	188,368	216,924
Provision for uncollectible accounts receivable	246,454	54,671
Amortization of debt discount	188,384	-
Non cash consulting fee	280,000	-
Time contributed in lieu of salary	-	56,000
Extraordinary item – forgiveness of debt	(453,194)	-
Changes in assets and liabilities:		
Increase in accounts receivable	(226,835)	(487,228)
Decrease in installment sales receivable	-	1,935
(Increase) decrease in prepaid expenses	(61,831)	134,302
Increase in accounts payable	297,025	728,690
Increase (decrease) in accrued expenses	606,712	(174,476)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	210,694	(1,890,546)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(74,319)	(26,534)
Deposits for equipment and circuits	(349,237)	(313,296)
Investment in purchased business, net of cash acquired	-	(50,096)
NET CASH USED IN INVESTING ACTIVITIES	(423,556)	(389,926)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible debentures	225,000	300,000
Net proceeds, DIP note payable	582,000	-
Payment of lease obligation for network equipment	(118,093)	244,229
Private placement of common shares, net	-	1,647,572
Repurchase of founder shares	-	(56,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	688,907	2,135,801
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	476,045	(144,671)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	32,884	234,688
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 508,929	$ 90,017
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Beneficial conversion discount recorded	$ 86,657	$ 75,111
Warrants issued with convertible debentures	$ 74,057	-
Warrants issued in settlement of consulting agreement	$ 3,600	-
Warrants issued in connection with management consulting Agreement	$ 280,000	-
Conversion of convertible debentures into common stock	$ 20,640	-
Common stock issued with convertible debentures	$ -	$ 188,393
Common stock issued to acquire Empire One	$ -	$ 3,197,571
Warrants issued to owners in connection with Empire One acquisition	$ -	$ 989,487
Net liabilities assumed with Empire One acquisition	$ -	$ 1,228,210

OTHER INFORMATION:		
Cash payments for interest	$ 58,325	$ 78,765
Cash payments for income taxes	$ -	$ -

SONUS COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2001
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements apply to the Company and its wholly-owned subsidiaries and reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's consolidated financial position as of June 30, 2001 and the results of operations and changes in cash flows for the three and six months ended June 30, 2001 and 2000. The results of operations for such periods, however, are not necessarily indicative of the results to be expected for a full fiscal year. This Form 10-QSB should be read in conjunction with the Form 10-KSB for the fiscal year ended December 31, 2000.

NOTE 2 - FINANCIAL CONDITION, LIQUIDITY AND FILING OF CHAPTER 11

On April 2, 2001, each of the Company's wholly owned subsidiaries (Empire One Telecommunications Inc. (“EOT”), Sonus Communications Inc. (“Sonus”), EOT Telecommunications of Canada Inc., and Empire One Power Inc.), filed a Petition for Relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Company intends to operate its business in Chapter 11 in the ordinary course and to seek to obtain the necessary relief from the Bankruptcy Court to pay its employees, trade and certain other creditor post-petition obligations in full and on time. Under Chapter 11, certain claims against the Debtors in existence prior to the filing of the Petition are stayed while the Debtors continue business operations as Debtor-In-Possession. These claims are reflected in the June 30, 2001 consolidated balance sheet as “Liabilities Subject to Compromise”. Additional claims (liabilities subject to compromise) may arise subsequent to the filing date resulting from rejection of executory contracts, including leases, and from the determination by the Court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Debtors assets (“secured claims”) also are stayed, although the holders of such claims have the right to move the Court for relief from the stay. Secured claims are secured primarily by liens on the Debtors property, plant and equipment.

Consolidated liabilities subject to compromise as of June 30, 2001 include the following:

Capitalized lease obligations	$ 272,426
Accounts payable	4,072,801
Accrued expenses	112,998
Due to shareholders	57,000
Consolidated liabilities subject to compromise	$ 4,515,225

The amount and likelihood of allowed claims is not currently estimable, as the Company is in the early stages of the Chapter 11 process.

The Debtors have received approval from the Bankruptcy Court to pay or otherwise honor certain of its pre-petition obligations, including employee wages and certain taxes. The Debtors have determined that there is sufficient collateral to cover the interest portion of scheduled payments on its pre-petition debt obligations (primarily a capitalized lease obligation), and is continuing to accrue interest on this obligation. Pursuant to an order, the Debtors are providing adequate assurance payments to one vendor (Verizon), which requires semi-monthly payments for post-petition services (equivalent to two weeks of local service connectivity charges paid in advance) of approximately $78,000. The order also required a security deposit to be paid to the vendor of approximately $233,000. This deposit is included in Security and Equipment Deposits as of June 30, 2001. In June 2001,

the Debtor reached a settlement agreement with a vendor concerning a lease obligation. The leasee under the original lease agreement was Sonus, and the Court approved settlement provided for the Debtors to pay for one scheduled post-petition lease payment, pay a one month advance payment on another equipment lease with the same lessor, and return the equipment in return for a complete discharge of the obligation under the lease. As a result of this settlement, the Company recorded approximately $303,000 of extraordinary gain from the forgiveness of debt in the second quarter, comprised of $271,000 remaining capitalized lease obligation and $32,000 of other accrued expenses. The carrying value of the underlying equipment subject to lease had been written–off at December 31, 2000. The Debtors have not yet filed a plan of reorganization with the Bankruptcy Court, and on July 26, 2001, filed a motion to extend the time within which the Debtors may file the plan. On August 8, 2001, the Court approved a 90 day extension to file a reorganization plan, effective August 8, 2001. On July 26, 2001, the Debtors filed with the Bankruptcy Court a motion to reject executory contracts and un-expired leases pursuant to section 365(a) of the Bankruptcy Code. On August 8, 2001, the Court approved the motion to reject executory contracts and un-expired leases. The carrying values of pre-petition liabilities as of June 30, 2001 have not been adjusted to reflect the expected amount of allowed claims, as this adjustment is not yet currently estimable.

To fund its operations during the bankruptcy proceeding, the Company has obtained $750,000 in Debtor-In-Possession (“DIP”) and other interim financing. This financing is being used to fund operations and working capital during the bankruptcy proceeding. However, the Debtor subsidiaries are prohibited from making distributions to the Company as a result of the Bankruptcy. See Note 3 for a description of the financing.

Each of the Company’s subsidiaries will continue to manage and operate its assets and business pending the confirmation of a reorganization plan and subject to the supervision and orders of the Bankruptcy Court. Each of the Company’s subsidiaries is currently developing the reorganization plan and intends to submit the reorganization plan for confirmation prior to the due date. A motion to extend the time within which a plan must be filed was submitted to the Court on July 26, 2001. On August 8, 2001, the Court approved an extension to file a reorganization plan for 90 days from approval date.

At this time, it is not possible to predict the outcome of the subsidiaries’ Chapter 11 cases or the effect on the Company’s business. Although management intends that the Company’s subsidiaries will emerge from bankruptcy in a prompt and expeditious manner, there can be no assurance that a reorganization will be successful, or that the Company will continue to own all or part of the subsidiaries following any reorganization.

The value of the Company’s common stock is highly speculative due to the fact that the Company’s only material asset is the common stock of its wholly owned subsidiaries. The common stock of the Company’s subsidiaries may be cancelled in bankruptcy, leaving the Company without any material assets. The Company’s common stock may have no value.

The Company’s consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities and commitments in the normal course of business. Prior to the filing of Chapter 11, the Company incurred recurring losses from operations, had a working capital deficiency of approximately $3,400,000, had defaulted on certain convertible debentures, and had insufficient funds available for operations. Subsequent to filing of Chapter 11, the Company has taken steps to restructure the operations and cost structure of the Company, and stabilize vendor relationships and stimulate business growth through deployment of the recent financing proceeds. However, the Company is still incurring operating losses, and the timing and ultimate outcome of the Chapter 11 process is not predictable. These conditions raise substantial doubt about our ability to continue as a going concern. The appropriateness of reporting on the going concern basis is dependent upon, among other things, confirmation of a plan of reorganization for the subsidiaries, future operations, and the ability to generate sufficient cash from operations and financing sources to meet obligations. The consolidated financial statements included herein do not include any adjustments relating to the commencement of the Debtor’s bankruptcy case or to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of the uncertainty of the Company’s ability to continue as a going concern.

NOTE 3 - FINANCING:

On January 3, 2001, the Company sold $80,000 in original principal amount of its 15% Secured Subordinated Convertible Debentures, convertible into common stock at $.05 per share, to Quadrant Management Inc., a shareholder. The 15% debentures were guaranteed by Empire One Telecommunications, and collateralized by all of the accounts receivable (now and after acquired) of the Company and Empire One Telecommunications. The security interest is subordinate to existing liens on leased equipment and any institutional debt financing or receivables financing the Company may enter into. The Company received proceeds of $75,000, net of a $5,000 origination fee. In connection with these debentures, the Company also issued Quadrant Management Inc. a warrant to purchase up to 1,000,000 shares of common stock at $.02 per share. The warrant contained "piggy-back" registration rights covering the shares underlying the warrant, and the warrant expires three years from issue date. The warrant may be exercised on multiple occasions in amounts not less than 15% of the original amount issued before the expiration of its term. In the event (1) a registration statement has been filed under the Securities Act, and such registration statement is declared effective by the S.E.C., and (ii) the bid price of the common stock is $1.00 or higher for twenty consecutive trading days, the Company shall have the option to deliver a redemption notice to the holder of the warrant. Upon delivery of the redemption notice, all warrants which remain outstanding on the 30th day following delivery of the redemption notice shall be automatically redeemed by the Company for $.0001 per warrant.

As the debentures included 1,000,000 warrants, an allocation of fair value between debt and equity was recorded based on their relative fair values on issue date. The fair value ascribed to the warrants was $.051 per share, and the relative fair value of $31,200 was recorded as a discount on the debentures. This discount on the debentures, and the $5,000 origination fee, were amortized over the term of the loan (three months). Additionally, in accordance with EITF 98-5 and 00-27, an additional discount to the debentures was recognized to account for an embedded beneficial conversion feature present at the time of issuance. This beneficial conversion component was $43,800 and was recorded as a discount at issue date. The discount was amortized over the term of the conversion period, which was immediate. The conversion price of the debentures is $.05 per share.

The 15% debentures became due on April 2, 2001 and are in default. The Company has not paid either principal or interest on the 15% debentures, and owes approximately $86,000 of principal and accrued interest on the 15% debentures as of June 30, 2001.

In May and June 2001, the Company obtained Debtor-In-Possession (“DIP”) and other interim financing. The financing was comprised of two separate transactions: a $150,000 financing for Sonus Communication Holdings, Inc. (which is not party to the Chapter 11 proceeding), and a $600,000 DIP financing for Empire One Telecommunications Inc. The form of the financing for Sonus Communication Holdings, Inc. was an offer to sell investors up to 150 units, with each unit comprised of a $1,000 8% convertible debenture and a common stock purchase warrant, which entitled the holder to purchase 16,000 shares of the common stock of the Company for $.01 per share. The convertible debenture matures twelve months from issue date, and may be converted into common stock of the Company any time at or prior to maturity at a conversion price of $.03 per share. The form of the DIP financing for EOT was a 12% secured term note, which matures twelve months from issue date. The DIP obligation is secured by customer accounts receivable and other assets of EOT. The DIP obligation has super-priority status over all other administrative expenses and unsecured claims against EOT. The proceeds from the DIP and other financing were received from the same investors, who allocated their individual investments as follows: 80% allocated to the DIP financing, and 20% allocated to the other Company financing. The Company received $150,000 of proceeds in May from the convertible debentures, and EOT received $582,000 ($600,000 net of $18,000 placement fee) in June 2001. The DIP financing for EOT was approved by the U.S. Bankruptcy Court in June 2001. The placement fee is being amortized over the term of the loan (12 months). For the six months ended June 30, 2001, approximately $1,400 of this placement fee was amortized.

As the Company’s debentures included 2,400,000 warrants, an allocation of fair value between debt and equity was recorded based on their relative fair values on issue date. The fair value ascribed to the warrants was $.025 per share, and the relative fair value of $42,857 was recorded as a discount on the debentures. This discount on the debentures was amortized over the term of the exercise period. As the warrants are exercisable immediately upon issuance, the amortization of the entire discount was recorded coincident with issuance. Additionally, in accordance with EITF 98-5 and 00-27, an additional discount to the debentures was recognized to account for an embedded beneficial conversion feature

present in the warrants at the time of issuance. This beneficial conversion component was $42,857 and was recorded as a discount at issue date. The discount was amortized over the term of the conversion period. As the debentures are convertible immediately upon issuance, the entire discount was recorded coincident with issuance. The conversion price of the debentures is $.03 per share. The warrants expire on the third anniversary from the date of issuance. The warrants contain "piggy-back" registration rights covering the shares underlying the warrants.

In June 2001, pursuant to an agreement between the Company and a holder of an 8% $20,000 convertible debenture (issued June 2000), the Company converted the debenture according to its original terms. The debenture, which was in default (as it was required to be converted or redeemed in cash as of September 30, 2000), together with accrued interest thereon, was converted into 87,494 shares of the Company's common stock (conversion price of $.236).

In June 2001, the Company entered into an agreement to purchase a new telecommunications switch from Copper Com. The purchase price of the new switch is $306,700, and the Company paid a $60,000 deposit on the equipment. The acquisition is contingent upon receiving approval from the Bankruptcy Court for the acquisition, and also is contingent upon the rejection of a lease on the existing switch (the rejection of this lease is included in the motion to reject executory contracts and un-expired leases discussed in Note 2). Upon approval, the Company intends to obtain external financing for the remaining $246,700 purchase price. In the event that the Company is unable to obtain external financing 120 days from the date of the agreement, Copper Com will finance the remaining purchase price with an 18% amortizing note, requiring monthly payments of $15,000 over 19 months. The motion to approve the switch acquisition (and reject the lease on the existing switch lease) was approved by the Court on August 8, 2001. The $60,000 deposit is included in Security and Equipment Deposits as of June 30, 2001.

NOTE 4 - GOODWILL

Goodwill is attributable to the acquisition of EOT in March 2000. This transaction was accounted for as a purchase and is stated at fair value as of the acquisition date, less accumulated amortization and an impairment charge. The goodwill is amortized using the straight-line method over 15 years. Goodwill amortization in 2000 has been retroactively adjusted from amounts previously reported for certain adjustments recorded at 12/31/00. These adjustments reduced merger date goodwill by approximately $2,418,000. Accordingly, amortization for the three months and six months ended June 30, 2000 was reduced by approximately $40,000.

NOTE 5 - NET LOSS PER SHARE

Basic earnings (loss) per share exclude dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period, adjusted to reflect potentially dilutive securities. Due to a loss in 2001 and 2000, the options, warrants and convertible debentures are not included in the computation of diluted loss per share because the effect would be to reduce the loss per share.

NOTE 6 – ACCOUNTING POLICIES

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 and 142 (SFAS No. 141 and No. 142), "Business Combinations", and "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations to be accounted for using the purchase method. SFAS No. 142 addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. SFAS No. 141 applies to all business combinations initiated after June 30, 2001, while SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of SFAS 141 and 142.

NOTE 7 – OTHER EVENTS

In January 2001, the Company solicited all EOT and Sonus vendors to accept discounts on trade payables. Vendors were asked to accept 90% discounts on trade payable balances in return for an immediate 10% cash payment in satisfaction of the obligation. In some cases, discounts less than 90% were negotiated. During the first quarter of 2001, the Company paid approximately $55,000, and satisfied approximately $129,000 of trade payables. The net gain resulting from this modification of debt of approximately $74,000 was recorded as an extraordinary gain in the first quarter of 2001.

As of June 30, 2001, holders of $110,000 in original principal amount of convertible debentures had elected to convert their debentures into common stock, leaving a total of $190,000 in original principal amount of these debentures outstanding, plus approximately $3,748 in accrued but unpaid interest. The debentures contain a provision stating that if the Company or any of its subsidiaries commence any proceeding or other action relating to it in bankruptcy, such as the proceedings filed by each of the Company's subsidiaries on April 2, 2001, then the debentures are in default and the holder(s) of the outstanding debentures may, by written notice, declare the outstanding principal, plus accrued but unpaid interest thereon, to be immediately due and payable.

On April 11, 2001, the Board of Directors approved the issuance of options and warrants to key members of management and the Board. On that date, options to purchase 300,000 shares of the Company’s common stock were granted to management, warrants to purchase 100,000 shares of the Company’s common stock were issued to the C.E.O., and options to purchase 40,000 shares of the Company’s common stock were issued to non-employee directors. All options and warrants granted on this date provide for an exercise price of $.01 per share, which equaled the closing market price of the Company’s common stock on that date. The options granted to management were in accordance with the 1999 Employee Stock Incentive Plan, and provide for quarterly vesting over a three year period, and may be exercisable up to ten years from grant date. The options granted to non-employee board members were in accordance with the 1999 Directors Stock Incentive Plan, and provide for immediate vesting. The warrants issued to the C.E.O. vest 50% immediately upon issuance, and 50% upon placement of a permanent C.E.O. for the Company. The warrants expire on the third anniversary from the date of issuance. The estimated fair value of these employee and director options, and warrants, was $11,000.

Also on April 11, 2001, the Board of Directors approved a management consulting agreement with Quadrant Management Inc., who is also a shareholder. Under the agreement, Quadrant assumes day-to-day operating control of the business operations of the Company, and this operating control is executed by our current C.E.O., who is an employee of Quadrant. The term of the agreement covers the six month period from January 1, 2001 to June 30, 2001, and is renewable for another six month term upon mutual consent. The consulting agreement has been renewed for another six month period. The fee arrangement under this consulting agreement included payment in warrants, and reimbursement of any direct costs or expenses incurred by Quadrant. In connection with this agreement, the Company issued warrants to purchase 1,000,000 shares of the Company’s common stock, with an exercise price of $.01 per share. The warrants are exercisable immediately, and expire on the third anniversary from the date of issuance. The warrants contain "piggy-back" registration rights covering the shares underlying the warrants. The estimated fair value of these warrants was $280,000 (based on fair value of $.28 per share), and this was recorded as a professional service expense in the second quarter.

In the second quarter, the Company realized an extraordinary gain (discussed in Note 2) of approximately $303,000 from the settlement of a capitalized lease obligation. The carrying value of the underlying equipment subject to lease had been written–off at December 31, 2000.

In May 2001, the Company reached an agreement with L. Flomenhaft & Co., regarding the cancellation of a consulting agreement entered into in August 2000. Under the original agreement, which was executed in August 2000, L. Flomenhaft and Co. Inc., who is also a shareholder, would provide certain merger and acquisition consulting services for a period of 1 year. The fee under this agreement was $115,000. The Company recorded the accrued liability under this agreement each month, but had not made any payments. In May 2001, the Company and L. Flomenhaft and Co. Inc. agreed to terminate the consulting agreement and waive the outstanding balance due under the original agreement in return for an issuance of warrants to purchase 20,000 shares of the Company’s common stock at an exercise price of $.01. The accrued liability under the original agreement up to the date of the termination

was approximately $80,000. The estimated fair value of the warrants issued was $3,600 (based on fair value of $.18 per share), and recorded as an addition to paid-in-capital. The warrants are exercisable immediately, and expire on the third anniversary from the date of issuance. The warrants contain "piggy-back" registration rights covering the shares underlying the warrants. The remaining amount of the accrued liability of approximately $76,000 has been recorded as an extraordinary gain, as forgiveness of debt.

On or about July 24, 2001, the Company commenced an adversary proceeding against Swisscom North America, Inc., a pre-petition and post-petition vendor providing carrier services to the Company. The proceeding was filed with the Southern District of the U.S. Bankruptcy Court, and seeks judgment against Swisscom for damages incurred as a result of willful violation of the automatic stay, breach of contract and tortious interference of its service contract with the Company. The damage claim seeks to recover damages totaling approximately $3,000,000 that are the result of actions of sudden, willful, significant reductions in completion rates of international long distance calls by Swisscom, resulting in substantial loss of past and future revenues and customers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Private Securities Litigation Reform Act provides a "safe harbor" for forward-looking statements. Certain statements included in this Form 10-QSB are forward-looking and are based on the Company's current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from results expressed or implied in any forward-looking statements made by, or on behalf of the Company. The Company assumes no obligation to update any forward-looking statements contained herein or that may be made from time to time by, or on behalf of, the Company.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the financial statements and the notes to those statements and the other financial information included elsewhere in this Form 10-QSB.

OVERVIEW

On April 2, 2001, each of the Company's wholly owned subsidiaries (Empire One Telecommunications Inc., Sonus Communications Inc., EOT Telecommunications of Canada Inc., and Empire One Power Inc.), filed a Petition for Relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Company has no material tangible assets other than the issued and outstanding stock of each of its subsidiaries. The Company's subsidiaries continue to operate their respective businesses as debtors in possession under the Bankruptcy. The value of the Company's common stock is highly speculative due to the fact that the Company's only material asset is the stock of its wholly owned subsidiaries, each of which has filed for bankruptcy under Chapter 11. The common stock of the Company's subsidiaries may be cancelled in bankruptcy, leaving the Company without any material assets. The common stock of the Company may have no value.

Empire One Telecommunications and Sonus are attempting to reorganize their businesses under Chapter 11, and intend to continue to be a full service, facilities-based retail telecommunications provider combining local and long distance voice services and dial-up and dedicated Internet access services in a single point of contact for sales and service to both businesses and consumers in targeted ethnic niches throughout the United States, provided it successfully reorganizes. The Company can provide no assurance that EOT or Sonus will continue as wholly owned subsidiaries, or that the Company will continue to own any interest in EOT or Sonus, following the bankruptcy.

Through our wholly owned operating subsidiary, Empire One Telecommunications, we currently offer a diverse range of integrated communication services, including standard voice telecommunications (local and long distance), dial-up and dedicated Internet access and specialized data services (for commercial users). In addition, the Company maintains Web portals in Chinese, Russian and English. All of the Company's marketing, sales, and customer services are provided in the languages of the target markets. Currently, the Company's Customer Service Representatives ("CSR's") speak Cantonese, Mandarin, Russian and Spanish as well as English.

The Company merged with Empire One Telecommunications on March 29, 2000. Prior to the acquisition of EOT, the Company operated its business through Sonus Communications Inc., another wholly owned subsidiary. Sonus was a wholesale provider of low-cost, high-quality international telephone and Internet services. The Company offered Internet connectivity, voice, facsimile, Internet, and e-commerce services to US and foreign telephone companies and Internet Service Providers. The strategy underlying this business model was to establish routes into underserved geographic markets such as countries that were formerly part of the Soviet Union (e.g. Republic of Georgia) and developing countries in Asia, the Pacific Rim and the Caribbean. This strategy involved establishing a relationship with a local organization in the destination country that would own all necessary equipment in that country as well as establish any necessary working relationships with the local phone company or other companies. Substantial operating losses were incurred under this model due to several factors, including existence of several agreements with foreign service providers in politically unstable countries, and at unfavorable terms, significant price erosion in wholesale pricing structure, lack of broad customer acceptance for the Voice Over IP technology, and inability to launch the sales effort needed to attain a critical mass of customers. Subsequent to the merger with EOT, the Company de-emphasized the Sonus wholesale business platform in favor of EOT's facilities based retail business platform, and as of December 31, 2000, Sonus was inactive.

As a result of the change in business model during 2000, comparisons of results to 2001 are not necessarily meaningful. Also, as the merger of EOT, which occurred on March 29, 2000, was accounted for as a purchase, results of operations of EOT are included prospectively from April 1, 2000. Thus, six month 2001 results reflect results of operations of Sonus and EOT, while six month 2000 results of operations include only three months of EOT operations and six months of Sonus operations.

Since we began offering local and long distance telecommunications services, we have incurred net operating losses. As of June 30, 2001, the Company had consolidated accumulated net losses of approximately $10,053,000.

During the second quarter of 2001, management has worked to acquire financing, restructure the balance sheet and scale back the cost of operations. Management has made significant reductions in operating costs through several strategies, including selective reductions in headcount and reduction in marketing expenditures. With the acquisition of interim financing, the Company believes that it has sufficient temporary working capital to conduct business and make selective investments designed to increase the customer base and increase revenue while operating under Chapter 11. Management believes that its financing and restructuring efforts while under Chapter 11 can result in significant customer and revenue growth, leading to eventual profitability. However, the Company can provide no assurances in that regard.

REVENUE

The Company (Sonus Communication Holdings, Inc.) has no revenue generating operations, and all revenue-generating operations are conducted through its subsidiaries, of which only EOT remains currently active. As all of the operating subsidiaries are under Chapter 11, as discussed in Item 3, the subsidiaries may not distribute revenue or other funds to the Company while under Chapter 11.

Through EOT, we generate revenue from the following categories of service:

- local calling services, which consist of monthly recurring charges for basic service, usage charges for local calls and service charges for features such as call waiting and call forwarding;

- long distance services, which include a full range of retail long distance services, including traditional switched and dedicated long distance, 800/888 calling, international, calling card and operator services;

- other data services, which consist primarily of monthly recurring charges for connections from the end-user to our facilities;

- wholesale revenue from other carriers in connection with leasing portions of, or placing traffic through, our network.

Total revenue for the second quarter of 2001 was approximately $2,490,000 (entirely comprised of EOT revenue), compared to approximately $2,250,000 for the same period in 2000 (comprised of EOT and Sonus revenue), representing an increase of 10.7%. Revenue for the second quarter of 2001 fell 5.8% from the first quarter of 2001, despite a 17% increase in customers. The sequential decline in revenue was attributable to seasonal factors (i.e., reduced long distance usage) and service interruptions which resulted in substantial revenue loss. The service interruptions were attributable to one carrier (see Part II, item 1: adversary proceeding against Swisscom North America, Inc). This revenue loss occurred for approximately one month (April), until traffic was re-routed to other carriers. The Company sustained substantial customer attrition subsequent to the service interruption. The increase in customers during the second quarter resulted primarily from failure of a competing carrier, and migration of a substantial number of customers from this failed carrier to EOT. The benefit of this customer increase is expected to more fully impact revenue in the third quarter. For the six month period ending June 30, 2001 compared to 2000, revenue increased 112.4% to approximately $5,135,000 from $2,418,000. No revenue was generated from Sonus in the six month period of 2001, as this business model was decommissioned in 2000, and revenue in 2000 included EOT results prospectively from the merger date of March 31, 2000.

DIRECT OPERATING EXPENSES

Our direct operating expenses are comprised of costs to deliver communications services, and include:

- costs to maintain the switch and other network elements;
- costs for domestic origination and termination;
- transport costs in routing international traffic for completion overseas;
- cost of lease internet facilities for our internet services;
- cost of providing local exchange services, currently on a total resale basis.

Direct operating expenses for the second quarter of 2001 were approximately $1,549,000 (comprised entirely of EOT expenses), a 25.5% decrease from the same period of 2000 ($2,079,000 comprised of Sonus and EOT expenses). Direct operating expenses for the second quarter of 2001 fell 5.1% from the first quarter of 2001, and gross margin for the second quarter of 2001 was 38% compared to 38% for the first quarter of 2001. For the six month period ending June 30, 2001 compared to 2000, direct operating expenses increased 29.8% to approximately $3,182,000 from $2,451,000. No direct operating expenses were incurred in Sonus in the six month period of 2001, as this business model was decommissioned in 2000, and direct operating expenses in 2000 included EOT results prospectively from the merger date of March 31, 2000.

SALES, GENERAL AND ADMINISTRATIVE

Our selling, general and administrative (“SG&A”) expenses include costs associated with sales and marketing, customer service, billing, corporate administration and personnel.

SG&A expenses for the second quarter of 2001 were approximately $1,429,000, compared to approximately $1,658,000 for the same period of 2000, representing a decrease of 13.8%. Results from 2000 include substantial overhead expenses from the Sonus network which was decommissioned in the third quarter of 2000, and these expenses have been substantially eliminated in 2001. SG&A expenses for the second quarter of 2001 increased by approximately $165,000 or 13% from the first quarter of 2001. Compensation and benefits declined by $150,000 or 25%, due in part to reductions in staff and management headcount (54 at end of the first quarter versus 52 at end of second quarter), non recurring charges recorded in the first quarter of 2001 for wage continuation accruals of $28,000, as well as a charge of $19,000 for timing differences related to non-cash compensation. Marketing expenses increased by $44,000 or 76% from the first quarter of 2001, due largely to programs that were implemented to stimulate customer growth and attract new customers from failing competitors. Professional fees in the second quarter reflect an increase of $280,000 from a non-cash charge pursuant to the management consulting agreement discussed in Note 7. Other SG&A expenses declined by $10,000 from the first quarter of 2001 due to general expense reduction initiatives. For the six month period ending June 30, 2001 compared to 2000, SG&A increased 20.2% to approximately $2,693,000 from $2,240,000. No significant SG&A was incurred in Sonus in the six month period of 2001, as this business model was decommissioned in 2000, and SG&A in 2000 included EOT results prospectively from the merger date of March 31, 2000.

GOODWILL AMORTIZATION

Goodwill is attributable to the acquisition of EOT in March 2000. This transaction was accounted for as a purchase and is stated at fair value as of the acquisition date, less accumulated amortization and an impairment charge. The goodwill is amortized using the straight-line method over 15 years. Goodwill amortization for the second quarter of 2001 was approximately $62,000, and for the six month period ending June 30, 2001, was $123,346, compared to $92,291 in the same period of 2000. Goodwill amortization in 2000 has been retroactively adjusted from amounts previously reported for certain adjustments recorded at 12/31/00. These adjustments reduced merger date goodwill by approximately $2,418,000. Accordingly, amortization for the three months and six months ended June 30, 2000 was reduced by approximately $40,000.

OTHER INCOME (EXPENSE)

Other income (expense) is comprised of net interest expense accrued and/or paid, and amortization of debt discounts. Net interest expense for the second quarter of 2001 was approximately $117,000, compared to net interest expense of approximately $58,000 in 2000, an increase of $59,000. For the six month period ending June 30, 2001, net interest expense approximately $225,000 compared to $56,000 in the same period of 2000. The quarterly and year-to-date increases are attributable to additional convertible debentures and DIP financing issued in 2001.

EXTRAORDINARY ITEM

Extraordinary income in the second quarter of 2001 of approximately $379,000 includes the forgiveness of debt resulting from settlement of an equipment lease of approximately $303,000, and settlement of the consulting agreement for $76,000, discussed earlier. For the six month period ending June 30, 2001, extraordinary income includes the lease settlement, the consulting agreement settlement and discounts obtained on vendor accounts payable, treated as extinguishments of debt, during the first quarter.

REORGANIZATION ITEMS

Legal, accounting and U.S. Trustee costs incurred in connection with the Company’s Chapter 11 proceedings have been classified as costs incurred in reorganization, and amounted to approximately $192,000 for the second quarter of 2001, and $219,000 for the six month period ending June 30, 2001.

RESULTS OF OPERATIONS

As a result of the above, the Company incurred a net loss of approximately $479,000 in the second quarter of 2001 or $.04 per share, compared to a loss of approximately $1,638,000 or $.23 per share in the second quarter of 2000. For the six month period ending June 30, 2001, net loss was approximately $854,000 or $.07 per share compared to $2,421,000 or $.37 per share for the same period in 2000.

LIQUIDITY

As noted earlier, the Company has no revenue generating operations outside of its wholly owned subsidiaries, and as the subsidiaries are currently under Chapter 11 and unable to transfer funds to the Company, the Company is completely dependent on its ability to raise outside financing to fund its operating costs. As noted above, the Company obtained financing for both the Company and the Debtors in the second quarter of 2001. The Company is in need of immediate financing, and can provide no assurance that such financing will be obtained.

At June 30, 2001 we had approximately $509,000 in consolidated cash and cash equivalents (comprised of approximately $492,000 is attributable from Debtors, and $17,000 from the Company), and consolidated positive working capital of approximately $326,000 (comprised of Debtors positive working capital of approximately $727 thousand, and negative working capital in the Company of $401 thousand). Cash provided from financing initiatives during the six month period was approximately $807,000. Liabilities categorized as subject to compromise were approximately $4,515,000.

CASH FLOWS

We have incurred significant operating and net losses since the inception of EOT and Sonus. We expect to continue to experience operating losses and negative EBITDA until we build our customer base to critical mass, rationalize the expense structure of the Company, and reengineer the balance sheet under Chapter 11. We cannot provide any assurance that we will be successful in doing so. As of June 30, 2001, we had an accumulated deficit of approximately $10,053,000.

Net cash provided during the six months ending June 30, 2001 from operating activities was approximately $211,000, comprised of net loss from operations adjusted for non-cash items of $(404,000), offset by other changes in working capital accounts of $615,000. Net cash used in investing activities of approximately $424,000 is largely comprised of deposits paid for equipment purchases and carrier vendor deposits. Net cash of approximately $689,000 was provided from financing activities, comprised of $807,000 net proceeds received from issuance of convertible debentures and DIP financing offset by payments of capitalized lease obligations.

As noted earlier, the Company has placed its operating subsidiaries into Chapter 11. A restructuring plan is being developed that will be submitted to the Court within the prescribed time period. A motion to extend the time within which a plan must be filed was submitted to the Court on July 26, 2001. On August 8, 2001, the Court approved a 90 day extension to file the restructuring plan. To restructure and expand our business, we will need a significant amount of cash for working capital and growth purposes, as well as restructure the balance sheet. The actual amount and timing of our future capital requirements may differ materially from our estimates as a result of the demand for our services and regulatory, technological and competitive developments, including additional market developments and new opportunities in the industry and other factors. We may require additional financing, or require financing sooner than anticipated, if our development plans or projections change or prove to be inaccurate. We may also require additional financing in order to take advantage of unanticipated opportunities, to effect acquisitions of businesses, to develop new services or to otherwise respond to changing business conditions or unanticipated competitive pressures. Sources of additional financing may include commercial bank borrowings, vendor financing, asset based financing, or the private or public sale of equity or debt securities. Our ability to obtain additional financing is uncertain.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On March 29, 2001, the Board of Directors of Sonus Communication Holdings, Inc. (the “Company”), acting as the sole stockholder and board of directors of each of its wholly owned subsidiaries (Empire One Telecommunications Inc., Sonus Communications Inc., EOT Telecommunications of Canada Inc., and Empire One Power Inc.), authorized and approved the filing, on behalf of each of its subsidiaries, of a Petition for Relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Petitions for Relief were filed on April 2, 2001.

Each of the Company’s operating subsidiaries intends to continue to manage and operate its assets and business pending the confirmation of a reorganization plan, subject to the supervision and orders of the Bankruptcy Court. The operating subsidiaries are currently developing the reorganization plan and intend to submit the reorganization plans for confirmation prior to the due date. There can be no assurance the plans will be accepted by creditors, and/or confirmed by the Court. A motion to extend the time within which a plan must be filed was submitted to the Court on July 26, 2001. On August 8, 2001, the Court approved a 90 day extension to file the restructuring plan.

At this time, it is not possible to predict the outcome of the Company’s Chapter 11 case or the effect on the Company’s business. Although management intends that the subsidiaries will emerge from bankruptcy in a prompt and expeditious manner, there can be no assurance that a reorganization will be successful or that the Company will continue to own the stock of the subsidiaries after the bankruptcy.

The value of the Company's common stock is highly speculative due to the fact that the Company's only material asset is the common stock of its wholly owned subsidiaries. The

common stock of the Company's subsidiaries may be cancelled in bankruptcy, leaving the Company without any material assets. The Company's common stock may have no value.

On or about July 24, 2001, the Company commenced an adversary proceeding against Swisscom North America, Inc., a pre-petition and post-petition vendor providing carrier services to the Company. The proceeding was filed with the Southern District of the U.S. Bankruptcy Court, and seeks judgment against Swisscom for damages incurred as a result of willful violation of the automatic stay, breach of contract and tortious interference of its service contract with the Company. The damage claim seeks to recover damages totaling approximately $3,000,000 that are the result of actions of sudden, willful, significant reductions in completion rates of international long distance calls by Swisscom, resulting in substantial loss of past and future revenues and customers.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

As discussed previously, on January 3, 2001, the Company sold $80,000 in original principal amount of its 15% Secured Subordinated Convertible Debentures, convertible into common stock at $.05 per share, to Quadrant Management Inc. The 15% debentures were guaranteed by Empire One Telecommunications, and secured by all of the accounts receivable (now and after acquired) of the Company and Empire One Telecommunications. The Company received proceeds of $75,000, net of a $5,000 origination fee. In connection with these debentures, the Company also issued Quadrant Management Inc. a warrant to purchase up to 1,000,000 shares of common stock at $.02 per share. The warrant contained "piggy-back" registration rights covering the shares underlying the warrant, and the warrant expires three years from issue date.

As discussed previously, on May and June 2001, the Company obtained Debtor-In-Possession (“DIP”) and other interim financing. The financing was comprised of two separate transactions: a $150,000 financing for Sonus Communication Holdings, Inc. (which is not party to the Chapter 11 proceeding), and a $600,000 DIP financing for Empire One Telecommunications Inc. The form of the financing for Sonus Communication Holdings, Inc. was an offer to sell (to certain accredited) investors up to 150 units, with each unit comprised of a $1,000 8% convertible debenture and a common stock purchase warrant, which entitled the holder to purchase 16,000 shares of the common stock of the Company for $.01 per share. The convertible debenture matures twelve months from issue date, and may be converted into common stock of the Company any time at or prior to maturity at a conversion price of $.03 per share. The form of the DIP financing for EOT was a 12% secured term note, which matures twelve months from issue date. The DIP obligation is secured by customer accounts receivable and other assets of EOT. The proceeds from the DIP and other financing were received from the same investors, who allocated their individual investments as follows: 80% allocated to the DIP financing, and 20% allocated to the other Company financing. The Company received $150,000 of proceeds and the subsidiaries received $582,000 ($600,000 net of $18,000 placement fee). The DIP financing for EOT was approved by the U.S. Bankruptcy Court in June 2001. Total warrants issued in connection with this transaction were 2,400,000. The warrants expire on the third anniversary from the date of issuance.

The Company relied on Section 4(2) of the Securities Act of 1933, as amended (the "Act"), to provide an exemption from the registration requirements of the Act, and on representations of certain investors in connection therewith.

In June 2001, pursuant to an agreement between the Company and a holder of an 8% $20,000 convertible debenture (issued June 2000), the Company converted the debenture according to its original terms. The debenture, which was in default (as it was required to be converted or redeemed in cash as of September 30, 2000), together with accrued interest thereon, was converted into 87,494 shares of the Company’s common stock (conversion price of $.236).

In May 2001, the Company reached an agreement with L. Flomenhaft & Co., regarding the cancellation of a consulting agreement entered into in August 2000. Under the original agreement, which was executed in August 2000, L. Flomenhaft and Co. Inc., who is also a shareholder, would provide certain merger and acquisition consulting services for a period of 1 year. The fee under this agreement was $115,000. The Company recorded the accrued liability under this agreement each month, but has not made any payments. In May 2001, the Company and L. Flomenhaft and Co. Inc. agreed to terminate the consulting agreement and waive the outstanding balance due under the original agreement in return for an issuance of warrants to purchase 20,000 shares of the Company’s common stock at an exercise price of

$.01. The warrants are exercisable immediately, and expire on the third anniversary from the date of issuance.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit index

Exhibit No.	Description
4.1	Form of Subscription Agreement dated May 3, 2001.
4.2	Form of Warrant issued.
4.3	Form of Convertible Debenture issued May 3, 2001.
4.4	Credit Agreement for the DIP loan dated May 11, 2001 and approved by the Court on June 5, 2001.
4.5	Security Agreement for the DIP loan dated May 11, 2001 and approved by the Court on June 5, 2001.
10	Management Agreement between the Company and Quadrant Management Inc. dated as of April 11, 2001.

(b) Reports on Form 8-K

None.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Sonus Communication Holdings, Inc.
(Registrant)

DATE: August 14, 2001

BY: /s/ Sherry Shen
Sherry Shen, Chief Executive Officer, on behalf of Registrant

/s/ Frank C. Szabo
Frank C. Szabo, Executive Vice President, Chief Financial Officer and Chief Operating Officer

EXHIBIT 4.1

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (The "Agreement") is made as of the _____day of _____, 2001 by and among SONUS COMMUNICATION HOLDINGS, INC., a Delaware corporation ("Sonus" or the "Company"), and the investors who complete and return to Sonus the attached Schedule A, which is expressly made a part hereof the (the "Investors").

WITNESSETH

WHEREAS, the Company desires to sell to the Investors up to 150 Units (the "Units" as defined in Section 1 Below) offered by the Company, subject to the terms and conditions set forth herein; and

WHEREAS, the Investors desire to purchase such Units;

NOW, THEREFORE, in consideration for the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Units.
   Each Unit sold hereunder shall include one $1000 8% Convertible Debenture of the Company (the "Debenture")) and a common stock purchase warrant, which entitles the holder to purchase 16,000 shares of the common stock of the Company, par value $.0001 per share (the "Common Stock")for $.01 per share (the "Warrant"), as adjusted in accordance with the terms of the Warrant.

2. Purchase and Sale of Units.

   a. Sale and Issuance. Subject to the terms and conditions of the Agreement, each Investor agrees, severally but not jointly, to purchase at the Closing (as hereinafter defined), and Sonus agrees to sell and issue at the Closing, the number of Units set forth on the Investor's signature page, attached hereto as Schedule A, for the purchase price of $1000 per Unit, to be paid by check subject to collection, or wire transfer, from Investor and delivered to Sonus upon execution and delivery hereof by Investor.
   b. Maximum Offering. The offering of the Units ("offering") shall be conducted by Sonus. There is no minimum subscription for Units or minimum aggregate offering. The maximum subscription is 150 Units or $150,000. Subject to the foregoing, closings will be held at the discretion of the Company, upon receipt of subscriptions and acceptance thereof by Sonus. An executed copy of the Subscription Agreement, and a statement of accredited investors (if not already filed with the Company), together with the purchase price, should be returned to the Company. All funds will be held at Commercial Bank of New York, pending Closing, and will be returned in full, without interest, if Sonus rejects a subscription or terminates the Offering. This Offering shall terminate on_____, unless extended by the Company in its sole discretion (the "Termination Date").
   c. Closings. The purchase and sale of the Units shall take place at a closing at the office of the Company, 55 John Street, 2nd Floor, New York, NY 10038, upon receipt of acceptable subscriptions by Sonus, or at such other time and place as Sonus may designate (the "Closing"); provided that all Closings shall take place no later than the Termination Date. At the Closing, Sonus shall accept the subscription payments against delivery to its transfer agent of irrevocable instructions directing the transfer agent to issue to the Investors certificates representing the portion of their Units comprised of Debentures and against issuance of the Warrants to Investors.

3. Representations and Warranties of Sonus.

   a. Organization, Good Standing and Qualification. Sonus is a corporation duly organized, validly existing and in good standing under the laws of

the State of Delaware, and has all requisite power and authority to carry on its business as now conducted. Sonus is duly qualified to transact business and is in good standing, in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business.

b. Capitalization. The authorized capital of Sonus consists of 1000,000,000 shares of Common Stock, par value $.0001, of which 12,092,285 are issued and outstanding, not including any options, warrants or convertible securities.

c. Authorization. Corporate action on the part of the Company necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance and delivery of the Units, to the extent that the foregoing requires performance on or prior to the Closing, has been taken or will be taken on or prior to the Closing, and Company has requisite corporate power and authority to enter into this Agreement.

4. Representations and Warranties of Investors. Each Investor hereby represents and warrants to Sonus as follows:

a. Power and Authority; Binding Obligation. Investor has full power and authority to enter into this Agreement. This Agreement has been duly duly executed and delivered by Investor and, assuming due authorization, execution and delivery by Sonus, constitutes Investor's valid and legally binding obligation enforceable against the Investor in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights generally, subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and subject to the effect of applicable securities laws as to rights of indemnification.

b. Purchase Entirely for Own Account, Etc. The Units to be purchased by Investor hereunder will be acquired for investment for Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof. Investor has no present intention of selling, granting any participation in, or otherwise distributing the Units. Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to any person with respect to the Units. The Investor has not construed the contents of the agreement, or any additional agreement with respect tot the proposed investment n the Units or any prior or subsequent communications form Sonus, or any of its officers, employees or representatives, as investment, or legal advice, or as information necessarily applicable to such Investor's particular financial situation. The investor has consulted its own financial advisor, tax advisor, legal counsel and accountant, as necessary or desirable, as to matters concerning his investment in the Units.

c. Disclosure. Investor has received or reviewed all the information, which such Investor has requested for the purposes of determining the merits of the Units as an investment. Investor has had an opportunity to ask questions and receive answers from the Company regarding the Company, its business, and the terms and conditions of the offering of Units. **INVESTOR ACKNOWLEDGES AND AGREES THAT THE PURCHASE OF THE UNITS INVLVES A HIGH DEGREE OF RISK, AND MAY RESULT IN A LOSS OF THE ENTIRE AMOUNT INVESTED. THERE IS NO ASSURANCE THAT THE COMPANY'S OPERATIONS WILL BE PROFITABLE IN THE FUTURE OR THAT ANY PUBLIC MARKET FOR THE UNITS WILL BE AVAILABLE.**

d. Accredited Investor. Investor is an accredited investor as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended ("Securities Act"). The information provided by Investor on the Statement of Accredited Investor, previously filed with the Company is still true

and correct in all respects as of the date first set forth above. Investor is capable of bearing the economic risk of an investment in the Units, including the possible loss of Investor's entire investment. Investor has such knowledge and experience in financial or business matters that it is capable of evacuating the merits and risks of an investment in the Units offered hereby. If other than an individual, Investor has not been organized solely for the purpose of acquiring the Units.

e. Restricted Securities: Investor understand that the Units being purchased hereunder are "restricted securities" as defined in the Securities Act, and that under federal and state securities laws the Units may be resold without registration under the Securities Act only in certain limited circumstances. Investor is familiar with Rule 144 promulgated by the Commission under the Securities Act, and understands the resale limitations imposed thereby and by the Securities Act generally. Investor also acknowledges that the Units are subject to significant restrictions on transfer, pledge or hypothecation.

f. Legends. It is understood that certificates or other evidence of the Units may bear the following legend, as well as any legend required by the laws of any state:

" **"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED THE ABSENCE OR A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH REGISTRATION IS NOT REQUIRED PURSUANT TO A VALID EXEMPTION THEREFROM UNDER THE SECURITIES ACT OF 1933, AS AMENDED."**

g. Consents and Approvals; No Conflict.

(i) The execution and delivery of this Agreement by the Investor does not, and the performance of the Agreement by the Investor will not, require any consent, approval, authorization or other action by, or filing with or notification to, any governmental or regulatory authority, except where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent Investor from performing any of its material obligations under this Agreement.

(ii) The execution, delivery and performance of this Agreement by the Investor does not (A) in the case of any Investor that is not an individual, conflict with or violate the charter or by-laws, partnership or other governing documents of such Investor, or (B) except as would not have a material adverse effect on the ability of the Investor to consummate the transaction contemplated by this Agreement, conflict with or violate any law, rule, regulation, order, writ, judgement, injunction, decree, determination or award applicable to the Investor.

5. Covenants of Investors. Each Investor hereby represents and warrants to Sonus as follows:

a. Limitations on Disposition. Investor shall not make any disposition of all or any portion of the Units unless and until such proposed disposition shall in all respects comply with the following terms and conditions:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition, and such disposition is made in accordance with such registration statement; or

(ii) Such Investor shall have notified Sonus of the proposed disposition and shall have furnished Sonus with a detailed statement of the circumstances surrounding the proposed disposition, and, if requested by Sonus, such Investor shall have furnished the Company

with an opinion of counsel, in form and substance satisfactory to Sonus, that such disposition will not require registration of the Units under the Securities Act.

b. Confidentiality. Investor shall maintain in confidence, and shall not use or disclose without the prior written consent of Sonus, any information that is furnished to it by the Company or its agents in connection with this Agreement. This obligation of confidentiality shall not apply, however, to any information (i) in the public domain through no unauthorized act or failure to act by any Investor, (ii) lawfully disclosed to such Investor by a third party who possessed such information without any obligation of confidentiality, (iii) known previously by such Investor or lawfully developed by such Investor independent of any disclosure by Sonus or its agents or (iv) disclosed to legal or financial advisors in the ordinary course of evaluating this investment; provided, however, that such advisors agree to be bound by the provisions of this Section 5.b. Investor shall return to Sonus all materials containing such information upon request by Sonus in the event that Investor's subscription is not accepted by Sonus.

6. Conditions of Investor's Obligations at Closing. The obligations of each Investor hereunder are subject to , and contingent upon, the fulfillment, on or before each Closing, of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent in writing thereto:

   a. Representations and Warranties. The representations and warranties of Sonus contained herein shall be true and correct on and as of the closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

   b. Performances. Sonus shall have performed and complied with all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by it on or before the Closing; provided that the obligations of the Investors shall not be subject to or contingent upon the issuance by Sonus of the Units to the persons or entities who submit the attached Schedule A who have not performed or tendered the performance of their obligations required to be performed under this Agreement on or prior to the Closing.

7. Conditions of Sonus's Obligations at Closing. The obligations of Sonus to each Investor hereunder are subject to and contingent upon the fulfillment by such Investor, on or before the Closing, of each of the following conditions.

   a. Representations and Warranties. The representations and warranties of the Investor contained in Section 3 hereof shall be true and correct on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

   b. Payment of Purchase Price by Investors. Each Investor shall have delivered to Sonus the purchase price specified in Schedule A attached hereto, n the manner specified in Section 2 hereof.

   c. Statement of Accredited Investor. Each Investor shall have delivered to Sonus the statement of Accredited Investor in the form set forth in Schedule B attached hereto, and the information provided therein shall be complete and correct on and as of the Closing with the same effect as though such information had been provided as of the date of such Closing.

8. Registration Rights. With regard to the shares of Common Stock issuable upon conversion of the Debentures or exercise of the Warrants, the Investors shall only have those registration rights which are specifically set forth in the Debentures and the Warrants themselves.
9. Miscellaneous.

a. Survival of Warranties. The representations, warranties and covenants of the Investors contained in this Agreement shall survive the execution and delivery of this Agreement and the Closing.

b. Successors and Assigns. This Agreement may not be assigned by any party hereto; the terms and conditions of the Agreement shall inure to the benefit of, and be binding upon, the respective successors of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in the Agreement.

c. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflict of laws thereof.

d. Counterparts. This Agreement may be executed in one or more counterparts, each of, which shall be deemed an original, but all of which together shall constitute one and the same instrument.

e. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

f. Notices. Unless otherwise provided, any notice required or permitted hereunder shall be given by personal service upon the party to be notified, by nationwide overnight delivery service or upon deposit with the United States Post Office, by certified mail, return receipt requested and:

   i. if to Sonus, addressed to SONUS COMMUNICATION HOLDINGS, INC., c/o Mr. Frank Szabo, 55 John Street, 2nd FL, New York, NY 10038 with a copy to Cecil E. Martin, III, Esq., McGuire Woods LLP, Seven Saint Paul Street, Baltimore, Maryland 21202 or at such other address as the Company may designate by notice to each of the Investors in accordance with the provisions of the Section 11; and

   ii. if to the Investors, at their respective addresses indicated on the signature pages hereof, or at such other addresses as any one or more Investors may designate by notice to Sonus in accordance with the provisions of this Section 11.

g. Expenses. Irrespective of whether a Closing is effected, Sonus and the Investors shall pay all of their own costs and expenses incurred with respect to the negotiation, execution, delivery and performance of this Agreement. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

h. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either prospectively or retroactively), only with the written consent of Sonus and a majority in interest of the Investors purchasing Units in this Offering.

i. Severability. If one or more provisions of the Agreement are held to be unenforceable under applicable law, such provisions shall be excluded form this agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded, and this Agreement shall be otherwise enforceable in accordance with its terms.

j. Entire Agreement. This Agreement (including the exhibits and schedules hereto) with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto.

10. Releases Subject to and in consideration of the foregoing, Investor hereby releases and discharges Theodore Flomenhaft, Leonard Flomenhaft, L. Flomenhaft & Co., Incorporated, and Quadrant Management, Inc. (the Releasees), and their principals, parents, subsidiaries,affiliates, predecessors, successors, shareholders, current and former officers, current and former directors, employees, representatives, current and former attorneys, heirs, and assigns, from any and all past and present actions, causes of action, suits, claims, counterclaims, complaints, rights, obligations, debts, demands, agreements, damages, judgments, promises, representations, extents, executions, liabilities, controversies, costs, expenses and attorneys' fees whatsoever, whether based on federal or state law, equity, right of arbitrationor otherwise, whether filed with any federal or state court, regulatory authority, self-regulating authority or stock exchange (including, without limitation, the National Association of Securities Dealers, Inc., TheNASDAQ/AMEX Market Group, the Securities and Exchange Commission or any affiliates or successors thereto), whether known or unknown, whether or not accrued, and whether or not asserted in litigation or arbitration which they ever had, now have or may hereafter have from the beginning of the world until the day of the date of this Agreement relating to the Company. The Investor also hereby agrees not to participate in or assist with any class action or other proceeding brought against any of the Releasees.

IN WITNESS WHEREOF, the parties hereto executed this Agreement as of the date first above written.

SONUS COMMUNICATION HOLDING, INC.

By:

_____

Name
Title

(Investor Signature Pages Follow)

EXHIBIT 4.2

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES OR BLUE SKY LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT (1) PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES WHICH IS EFFECTIVE UNDER THE ACT OR (2) PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE ACT RELATING TO THE DISPOSITION OF SECURITIES AND (3) IN ACCORDANCE WITH APPLICABLE STATE SECURITIES AND BLUE SKY LAWS.

WARRANT

WARRANT TO PURCHASE _____ (_____) SHARES OF

COMMON STOCK

OF

SONUS COMMUNICATION HOLDINGS, INC.

Date of Issuance: April ____, 2001

No._____

THIS CERTIFIES that, for value received, _____, or its assigns (in either case, the "Holder") is entitled to purchase, subject to the provisions of this Warrant, from SONUS COMMUNICATION HOLDINGS, INC., a Delaware corporation (the "Company"), at the price per share set forth in Section 8 hereof, the number of shares of the Company's common stock, $.0001 par value per share (the "Common Stock"), set forth in Section 7 hereof. This Warrant is referred to herein as the "Warrant" and the shares of Common Stock issuable pursuant to the terms hereof are sometimes referred to herein as "Warrant Shares".

Section 1. Exercise of Warrant. To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office, (a) a written notice, in substantially the form of the exercise notice attached hereto (the "Exercise Notice"), of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) a check in the amount of the aggregate exercise price for the Warrant Shares being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within twenty (20) days after delivery to the Company of (i) the Exercise Notice, (ii) the check mentioned above, and (iii) this Warrant, execute and deliver or cause to be executed and delivered, in accordance with such notice, a certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. If the Holder elects to purchase, at any time, less than the number of shares of Common Stock then purchasable under the terms of this Warrant, the Company shall issue to the Holder a new Warrant exercisable into the number of remaining shares of Common Stock purchasable under this Warrant. Each certificate representing Warrant Shares shall bear the legend or legends required by applicable securities laws as well as such other legend(s) the Company requires to be included on certificates for its Common Stock. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issuance and delivery of such stock certificates except that, in case such stock certificates shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificate or certificates shall be paid by the Holder at the time of delivering the Exercise Notice. All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid, and nonassessable. This Warrant may be exercised on multiple occasions in amounts not less than 15% of the original amount issued before the expiration of its term as described in this Section 1. This Warrant will expire on the third anniversary of the date of issuance (the "Expiration Date").

Section 2. Reservation of Shares. The Company hereby covenants that at all times during the term of this Warrant there shall be reserved for issuance such number of shares of its Common Stock as shall be required to be issued upon exercise of this Warrant.

Section 3. Fractional Shares. This Warrant may be exercised only for a whole number of shares of Common Stock, and no fractional shares or scrip representing fractional shares shall be issuable upon the exercise of this Warrant.

Transfer of Warrant and Warrant Shares. The Holder may sell, pledge, hypothecate, or otherwise transfer this Warrant, in whole or in part, only in accordance with and subject to the terms and conditions set forth in the Subscription Agreement and then only if such sale, pledge, hypothecation, or transfer is made in compliance with the Act or pursuant to an available exemption from registration under the Act relating to the disposition of securities, and is made in accordance with applicable State securities laws.

Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, or destruction of this Warrant, and of indemnification satisfactory to it, or upon

surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor.

Rights of the Holder. No provision of this Warrant shall be construed as conferring upon the Holder the right to vote, consent, receive dividends or receive notice other than as expressly provided herein. Prior to exercise, no provision hereof, in the absence of affirmative action by the Holder to exercise this Warrant, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Warrant Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

Number of Warrant Shares. This Warrant shall be exercisable for up to _____ (_____) shares of the Company's Common Stock, as adjusted in accordance with this Agreement.

Exercise Price; Redemption; Adjustment of Warrants.

Determination of Exercise Price. The per share purchase price (the "Exercise Price") for each of the Warrant Shares purchasable under this Warrant shall be equal to one cent ($0.01).

(b) Redemption of Warrants. In the event (i) a registration statement has been filed under the Securities Act covering the Warrant Shares and other securities which the Company is contractually obligated to register, and such registration statement is declared effective by the Securities and Exchange Commission, and (ii) the bid price of the Common Stock on the OTC Bulletin Board or other exchange is $1.00 or higher for twenty consecutive trading days, the Company shall have the option to deliver a redemption notice (the "Redemption Notice") to the holder of this Warrant. Upon delivery of the Redemption Notice, all Warrants which remain outstanding on the 30th day following delivery of the Redemption Notice shall be automatically redeemed by the Company for $.0001 per Warrant (the "Redemption Price"). All such unexercised Warrants shall be deemed cancelled upon the Company's delivery of the Redemption Price to the Holder. Upon receipt of the Redemption Price, Holder agrees to return any documentation of the unexercised Warrants to the Company.

(c) Adjustments for Stock Dividends, Distributions and Subdivisions. If the Company at any time or from time to time after the original issue date shall declare or pay any dividend or distribution on the Common Stock payable in Common Stock, or effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock), then the number of shares of Common Stock into which this Warrant is exercisable shall be increased to an amount which is equal to the product of (i) the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the stock dividend, distribution or subdivision, as the case may be, and (ii) a fraction, the numerator of which is equal to the number of shares of Common Stock issued and outstanding after giving effect to such stock dividend, distribution or subdivision, and the denominator of which is the number of shares of Common Stock issued and outstanding prior to such stock dividend, distribution or subdivision. If the outstanding shares of Common Stock shall be divided or increased because of a stock dividend or distribution, by stock split or otherwise, into a greater number of shares of Common Stock, the Exercise Price in effect immediately prior to such dividend, distribution or division shall, concurrently with the effectiveness of such division, dividend or distribution, be proportionately decreased.

(d) Adjustments for Combinations or Consolidation of Common Stock. If the outstanding shares of Common Stock shall be combined or consolidated, by reclassification, reverse stock split or otherwise, into a lesser number of shares of Common Stock, then the number of shares of Common Stock into which this Warrant is exercisable shall be decreased to an amount which is equal to the product of (i) the number of shares of Common Stock for which this Warrant is exercisable immediately prior to combination or consolidation, as the case may be, and (ii) a fraction, the numerator of which is equal to the number of shares of Common Stock issued and outstanding after giving effect to such combination or consolidation, and the denominator of which is the number of shares of Common Stock issued and outstanding prior to such combination or consolidation. If the outstanding shares of Common Stock shall be combined or consolidated, by reclassification, reverse stock split or otherwise, into a lesser number of shares of Common Stock, the Exercise Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(e) Adjustment for Mergers or Reorganization, etc. In case of any consolidation or merger of the Company with or into another corporation or the conveyance of all or substantially all of the assets of the Company to another corporation, this Warrant shall be exercisable into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Company deliverable upon exercise

of this Warrant would have been entitled upon such consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined by the Board of Directors of the Company) shall be made in the application of the provisions herein set forth with respect to the rights and interest thereafter of the holder of this Warrant, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as reasonable may be, in relation to any shares of stock or other property thereafter deliverable upon the exercise of this Warrant.

(f) No Impairment. The Company will not, through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 8 and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the holder of this Warrant against impairment.

(g) Issue Taxes. The Company shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on exercise of this Warrant, in whole or in part; provided, however, that the Company shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such exercise.

(h) Reservation of Stock Issuable Upon Exercise. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the exercise of this Warrant, such number of its shares of Common Stock as shall from time to time be sufficient to effect the exercise of this Warrant; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the exercise of this Warrant, the Company will take all appropriate corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

Section 9. Piggy-Back Registration Rights.

(a) Grant of Piggy-Back Rights. In the event that the Company shall hereafter initiate a registration of any of its common stock (a “Registered Offering”), either for its own account or the account of any other holder or holders of equity securities or securities convertible into equity securities of the Company, other than (i) a registration relating solely to employee benefit plans, (ii) a registration relating solely to a Rule 145 transaction, (iii) a registration in which the only equity security being registered is capital stock issuable upon conversion of convertible (or exchange of exchangeable) debt securities which are also being registered, or (iv) an initial public offering of the Company, the Company will provide the Holder with written notice thereof within 30 days of the filing date of the first registration statement filed in connection with the Registered Offering (the "Company Notice"), and, subject to the other terms and conditions set forth in this Section, include in such registration (and any related qualification under blue sky laws or other compliance) and any underwriting involved therein, if any, the Warrant Shares which the Holder requests to be included therein within 10 days after the date of the Company Notice (collectively, the “Registrable Securities”).

(b) Underwritten Registered Offering. If the Registered Offering of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holder as a part of the Company Notice. In such event, the Holder’s rights to registration pursuant to this Section 9 shall be conditioned upon the Holder’s participation in such underwriting, and the inclusion of the Holder’s Registrable Securities in the underwriting shall be limited to the extent provided herein. The Holder shall (together with the Company and the other holders distributing their securities through such underwriting, if any) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 9, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may limit the number of the Holder’s Registrable Securities to be included in such registration to such number of the Holder’s Registrable Securities which the managing underwriter determines can be included in such underwriting without reducing the number of shares to be sold by the Company pursuant to such underwriting or by any persons or entities exercising demand registration rights in connection with such registration. In such event, the Company shall so advise the Holder and the number of shares (other than shares being registered by the Company) that may be included in the registration and underwriting shall be allocated among all the holders of the Company’s shares wishing to participate in the Registered Offering in proportion, as

nearly as practicable, to the respective amounts of shares held by such holders at the time of filing the Registration Statement. To facilitate the allocation of shares in accordance with the above provisions, the Company may round the number of shares allocated to any holder to the nearest 100 shares. If the Holder disapproves of the terms of any such underwriting, the Holder may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to 180 days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

(c) Termination and Withdrawal of Registration. The Company shall have the right to terminate or withdraw any Registered Offering or other registration prior to the effectiveness of such registration whether or not the Holder has elected to include its Registrable Securities in such registration.

(d) Expenses. All registration expenses incurred in connection with registrations pursuant to this Section 9 shall be borne by the Company. Unless otherwise stated, all selling expenses relating to the Holder's Registrable Securities shall be borne by the Holder.

(e) Notification Requirements. In the case of each registration, qualification or compliance effected by the Company pursuant to this Agreement, the Company will keep the Holder advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Company will:

(i) prepare and file with the Commission a registration statement with respect to such securities and use reasonable best efforts to cause such registration statement to become and remain effective for at least one hundred twenty (120) days or until the distribution described in the registration statement has been completed, whichever first occurs; and

(ii) furnish to the Holder, should the Holder participate in such registration, and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents the Holder and/or the underwriters may reasonably request in order to facilitate the public offering of such securities.

(f) Underwriting Agreement Governs. In the event the terms of this Section 9 conflicts with the terms of any underwriting agreement in connection with any registration hereunder, the terms of such underwriting agreement shall control.

(g) Information. If the Holder's Registrable Securities are to be included in any Registered Offering, the Holder shall furnish to the Company such information as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

(h) Termination. The rights granted pursuant to this Section 9 shall terminate at such time as the Company has registered the Holder's Registrable Securities in a Registered Offering or other registration or when the Holder is permitted to sell all of its Warrant Shares within any ninety day period under Rule 144 promulgated under the Securities Act of 1933.

Section 10. Certain Distributions. In case the Company shall, at any time, prior to the Expiration Date set forth in Section 1 hereof, declare any distribution of its assets to holders of its Common Stock as a partial liquidation, distribution or by way of return of capital, other than as a dividend payable out of earnings or any surplus legally available for dividends, then the Holder shall be entitled, upon the proper exercise of this Warrant in whole or in part prior to the effecting of such declaration, to receive, in addition to the shares of Common Stock issuable on such exercise, the amount of such assets (or at the option of the Company a sum equal to the value thereof at the time of such distribution to holders of Common Stock as such value is determined by the Board of Directors of the Company in good faith), which would have been payable to the Holder had it been a holder of record of such shares of Common Stock on the record date for the determination of those holders of Common Stock entitled to such distribution.

Section 11. Dissolution or Liquidation. In case the Company shall, at any time prior to the Expiration Date set forth in Section 1 hereof, dissolve, liquidate or wind up its affairs, the Holder shall be entitled, upon the proper exercise of this Warrant in whole or in part and prior to any distribution associated with such dissolution, liquidation, or winding up, to receive on such exercise, in lieu of the shares of Common Stock to which the Holder would have been entitled, the same kind and amount of assets as would have been distributed or paid to the Holder upon any such dissolution, liquidation or winding up, with respect to such shares of Common Stock had the Holder been a holder of record of such share of Common Stock on the record date for the determination of those holders of Common Stock entitled to receive any such dissolution, liquidation, or winding up distribution.

Section 12. Reclassification or Reorganization. In case of any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the Company (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of an issuance of Common Stock by way of dividend or other distribution or of a subdivision or combination), the Company shall cause effective provision to be made so that the Holder shall have the right thereafter by exercising this Warrant, to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization or other change, by a holder of the number of shares of Common Stock which might have been purchased upon exercise of this Warrant immediately prior to such reclassification or change. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The foregoing provisions of this Section 12 shall similarly apply to successive reclassifications, capital reorganizations and changes of shares of Common Stock. In the event that in any such capital reorganization, reclassification, or other change, additional shares of Common Stock shall be issued in exchange, conversion, substitution or payment, in whole or in part, for or of a security of the Company other than Common Stock, any amount of the consideration received upon the issue thereof being determined by the Board of Directors of the Company shall be final and binding on the Holder.

Section 13. Indemnification.

(a) Indemnification. The Holders agree, if any of Holders' Registrable Securities are included in the securities as to which such registration, qualification or compliance is being effected, to indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such a registration statement, each Person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such holder, each of its officers and directors and each Person controlling such holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such holders, such directors, officers, Persons, underwriters or control Persons for any legal or any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by the Holder. Notwithstanding the foregoing, the Holder's liability under this subsection shall be limited in an amount equal to the initial price of the Registrable Securities sold by the Holder, unless such liability arises out of or is based on willful misconduct by the Holder.

(b) Indemnification Procedure. Each party entitled to indemnification under this Section (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action, and provided further that the Indemnifying Party shall not assume the defense for matters as to which there is a

conflict of interest or separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

Section 14. Miscellaneous.

(a) Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors and assigns of the parties, except to the extent otherwise provided herein. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(b) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflict of laws thereof.

(c) Counterparts; Delivery by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of this Agreement may be effected by facsimile.

(d) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(e) Notices. Unless otherwise provided, any notice required or permitted hereunder shall be given by personal service upon the party to be notified, by nationwide overnight delivery service or upon deposit with the United States Post Office, by certified mail, return receipt requested and:

i. if to the Company, addressed to SONUS COMMUNICATION HOLDINGS, INC., 55 John Street, New York, New York 10038, Attention: Frank Szabo, with a copy to Cecil E. Martin, III, Esquire, McGuireWoods LLP, Seven Saint Paul Street, Suite 1000, Baltimore, Maryland 21202-1626, or at such other address as the Company may designate by notice to the Holder in accordance with the provisions of this Section; and

ii. if to the Warrant holder, at the address indicated on the signature pages hereof, or at such other addresses as such Holder may designate by notice to the Company in accordance with the provisions of this Section.

(f) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either prospectively or retroactively), only with the written consent of the Company and a majority in interest of the Holders receiving Warrants in the Offering.

(g) Entire Agreement. This Agreement and the Security Agreement (including the exhibits and schedules hereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto.

IN WITNESS WHEREOF, the undersigned hereby sets is hand and seal this ____ day of April, 2001.

SONUS COMMUNICATION HOLDINGS, INC.

By:_____
Name: Sheri Shen
Title: Chief Executive Officer

By:_____
Title:_____

EXHIBIT 4.3

THIS DEBENTURE AND THE SHARES OF COMMON STOCK OF SONUS COMMUNICATION HOLDINGS, INC., A DELAWARE CORPORATION (THE "BORROWER") INTO WHICH THIS DEBENTURE MAY BECOME CONVERTIBLE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL SATISFACTORY TO THE BORROWER THAT SUCH REGISTRATION IS NOT REQUIRED.

SONUS COMMUNICATION HOLDINGS, INC.

8% CONVERTIBLE DEBENTURE

April ____, 2001
New York, New York

$____,000

FOR VALUE RECEIVED, SONUS COMMUNICATION HOLDINGS, INC., a Delaware corporation ("Borrower"), hereby promises to pay to the order of _____, with an address at _____("Lender") the principal sum of _____ Thousand Dollars ($____,000), together with interest accrued thereon at an interest rate equal to eight percent (8%) per annum on the date (the "Maturity Date") that is twelve (12) months from the date first set forth above. Anything to the contrary herein notwithstanding, no payment of principal or interest shall be required to be made by Borrower to the extent such principal or interest is converted into shares of common stock of the Borrower (the "Common Stock") as provided herein.

Notwithstanding any other provision hereof, interest paid or becoming due hereunder shall in no event exceed the maximum rate permitted by applicable law. Both principal and interest are payable in lawful money of the United States of America to the Lender at the address above indicated.

This Debenture and the provisions hereof are to be construed according to, and are governed by, the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, and this Debenture is further subject to the following additional provisions:

1. Events of Default. (a) If the Borrower shall default in the payment of the principal or interest of this Debenture after the same shall become due and payable, and such default shall not have been remedied within thirty (30) days after written notice thereof to Borrower; then the Lender of this Debenture may, at any time thereafter, at its option by written notice to the Borrower, declare the principal and all accrued interest thereon to be immediately due and payable, and thereupon the same shall become so due and payable.

(b) Non-Waiver and Other Remedies. No course of dealing or delay on the part of Lender in exercising any right hereunder shall operate as a waiver thereof or otherwise prejudice the right of any Lender. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise. In case of any Event of Default, Borrower will reimburse the Lender for its reasonable attorneys' fees incurred in connection with the enforcement of its rights hereunder.

2. Conversion Feature; Mechanics of Conversion or Cash Payment.

(a) At any time on or prior to the Maturity Date, the Lender may, at its option, convert all or such portion of outstanding principal and accrued but unpaid interest hereon (the "Outstanding Amount") as Lender may designate in writing, into such number of shares of Borrower's Common Stock (the "Conversion Shares") as is equal to the quotient obtained by dividing (A) the Outstanding Amount, or in the case of a partial

conversion of this Debenture, such portion of the Outstanding Amount as Lender may specify in writing to Borrower, by (B) Three Cent ($.03) (the "Conversion Price"), rounded to the nearest whole share, by providing the Borrower with written notice thereof (the "Conversion Notice"). Accrued interest hereon shall be converted prior to conversion of any outstanding principal.

(b) Mechanics and Effect of Conversion. No fractional shares of the Borrower's Common Stock will be issued upon conversion of this Debenture. In lieu of any fractional share to which the Lender would otherwise be entitled, the Borrower will pay to Lender in cash the amount of the unconverted portion of this Debenture that would otherwise be converted into such fractional shares. Upon conversion of this Debenture, Lender shall surrender this Debenture, duly endorsed, at the principal offices of the Borrower or any transfer agent of the Borrower. At its expense, the Borrower will, as soon as practicable thereafter, issue and deliver to Lender a certificate or certificates for the number of shares of Common Stock to which Lender is entitled upon such conversion, together with such other securities and property to which Lender is entitled upon such conversion under the terms of this Debenture, including a check payable to Lender for any cash amounts payable as described herein. Upon conversion of this Debenture, the Borrower will be forever released from all of its obligations and liabilities under this Debenture, including without limitation the obligation to pay the principal and interest due and payable under this Debenture.

(c) Mechanics of Cash Payment. Upon request for payment of this Debenture at any time after the Maturity Date, Lender shall surrender this Debenture, duly endorsed, at the principal offices of the Borrower. At its expense, the Borrower will, as soon as practicable thereafter, make a cash payment in lawful money of the United States of the principal and interest due and payable under this Debenture. Upon request for payment and satisfaction thereof, the Borrower shall be forever released from all of its obligations and liabilities under this Debenture, including without limitation any conversion rights otherwise applicable under this Debenture.

(d) Adjustment for Merger or Reorganization, Etc. In case of any consolidation or merger of the Borrower with or into another corporation, or the conveyance of all or substantially all of the assets of the Borrower to another corporation, or upon a stock split, stock dividend, consolidation or like event, this Debenture shall thereafter be convertible into the number of shares of stock or other securities or property to which a Lender of the same number of shares of Common Stock deliverable upon conversion of this Debenture would have been entitled upon such event; and, in any such case, appropriate adjustment shall be made to the Conversion Price, as is appropriate for the circumstances, to the extent that the provisions set forth herein shall be thereafter applicable in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Debenture.

(e) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price, the Borrower at its expense promptly shall compute such adjustment or readjustment and furnish to the Lender of this Debenture a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, which shall be conclusive absent manifest error.

(f) Further Adjustments. In case at any time conditions arise which in the opinion of the Board of Directors or in the opinion of the Lender, are not adequately covered by the provisions of this Section 2, or which might materially and adversely affect the rights of the Lender in connection with the conversion of the Debentures, then the Board of Directors shall appoint a firm of independent certified public accountants of recognized national or regional standing, who shall give their opinion upon the adjustment, if any, necessary with respect to the Conversion Price, so as to preserve the conversion rights of the Lender. Upon receipt of such opinion, the Board of Directors forthwith shall make the adjustments described therein.

3. Representations and Warranties of Lender. Lender hereby represents and warrants to Borrower as follows:

a. Purchase Entirely for Own Account, Etc.. The Conversion Shares to be acquired by Lender hereunder upon conversion of this Debenture will be acquired for

investment for Lender's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof. Lender has no present intention of selling, granting any participation in, or otherwise distributing this Debenture or the Conversion Shares. Lender does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to any person with respect to this Debenture or the Conversion Shares. The Lender has not construed the contents of this Debenture, or any additional agreement with respect to the proposed investment in the Shares or any prior or subsequent communications from Borrower, or any of its officers, employees or representatives, as investment, tax or legal advice, or as information necessarily applicable to such Lender's particular financial situation. The Lender has consulted its own financial advisor, tax advisor, legal counsel and accountant, as necessary or desirable, as to matters concerning his investment in the Conversion Shares.

b. Disclosure. Lender has received or reviewed all the information which such Lender has requested for the purposes of determining the merits of the Conversion Shares as an investment.. Lender has had an opportunity to ask questions and receive answers from the Borrower regarding the Borrower, its business, and the terms and conditions of the conversion of this Debenture and the Conversion Shares. LENDER ACKNOWLEDGES AND AGREES THAT THE CONVERSION OF THE DEBENTURE INVOLVES A HIGH DEGREE OF RISK, AND MAY RESULT IN A LOSS OF THE ENTIRE AMOUNT CONVERTED. THERE IS NO ASSURANCE THAT THE BORROWER'S OPERATIONS WILL BE PROFITABLE IN THE FUTURE OR THAT ANY PUBLIC MARKET FOR THE SHARES WILL BE AVAILABLE.

c. Accredited Lender. Lender is, as of the date hereof and as of the date all or any portion of this Debenture is converted into Conversion Shares, an accredited Lender as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended ("Securities Act"). Lender is capable of bearing the economic risk of an investment in the Conversion Shares, including the possible loss of Lender's entire investment. Lender has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of an investment in the Conversion Shares offered hereby. If other than an individual, Lender has not been organized solely for the purpose of acquiring the Conversion Shares.

d. Restricted Securities. Lender understands that the Conversion Shares are "restricted securities" as defined in the Securities Act, and that under federal and state securities laws the Conversion Shares may be resold without registration under the Securities Act only in certain limited circumstances. Lender is familiar with Rule 144 promulgated by the Commission under the Securities Act, and understands the resale limitations imposed thereby and by the Securities Act generally. Lender also acknowledges that the Shares are subject to significant restrictions on transfer, pledge or hypothecation.

e. Legends. It is understood that certificates or other evidence of the Conversion Shares may bear the following legend, as well as any legend required by the laws of any state:

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH REGISTRATION IS NOT REQUIRED PURSUANT TO A VALID EXEMPTION THEREFROM UNDER THE SECURITIES ACT OF 1933, AS AMENDED."

Section 4. Piggy-Back Registration Rights.

(a) Grant of Piggy-Back Rights. In the event that the Borrower shall hereafter initiate a registration of any of its common stock (a "Registered Offering"), either for its own account or the account of any other Lender or Lenders of equity securities or securities convertible into equity securities of the Borrower, other than (i) a registration relating solely to employee benefit plans, (ii) a registration relating solely to a Rule 145 transaction, (iii) a registration in which the only equity security being registered is capital stock issuable upon conversion of convertible (or exchange of exchangeable) debt securities which are also being registered, or (iv) an initial public offering of the Borrower, the Borrower will provide the Lender with written notice thereof within 30 days of the filing date of the first registration statement filed in connection

with the Registered Offering (the "Borrower Notice"), and, subject to the other terms and conditions set forth in this Section, include in such registration (and any related qualification under blue sky laws or other compliance) and any underwriting involved therein, if any, the Conversion Shares which the Lender requests to be included therein within 10 days after the date of the Borrower Notice (collectively, the “Registrable Securities”).

(b) Underwritten Registered Offering. If the Registered Offering of which the Borrower gives notice is for a registered public offering involving an underwriting, the Borrower shall so advise the Lender as a part of the Borrower Notice. In such event, the Lender’s rights to registration pursuant to this Section 9 shall be conditioned upon the Lender’s participation in such underwriting, and the inclusion of the Lender’s Registrable Securities in the underwriting shall be limited to the extent provided herein. The Lender shall (together with the Borrower and the other Lenders distributing their securities through such underwriting, if any) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Borrower. Notwithstanding any other provision of this Section 9, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may limit the number of the Lender’s Registrable Securities to be included in such registration to such number of the Lender’s Registrable Securities which the managing underwriter determines can be included in such underwriting without reducing the number of shares to be sold by the Borrower pursuant to such underwriting or by any persons or entities exercising demand registration rights in connection with such registration. In such event, the Borrower shall so advise the Lender and the number of shares (other than shares being registered by the Borrower) that may be included in the registration and underwriting shall be allocated among all the Lenders of the Borrower’s shares wishing to participate in the Registered Offering in proportion, as nearly as practicable, to the respective amounts of shares held by such Lenders at the time of filing the Registration Statement. To facilitate the allocation of shares in accordance with the above provisions, the Borrower may round the number of shares allocated to any Lender to the nearest 100 shares. If the Lender disapproves of the terms of any such underwriting, the Lender may elect to withdraw therefrom by written notice to the Borrower and the managing underwriter. Any securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to 180 days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

(c) Termination and Withdrawal of Registration. The Borrower shall have the right to terminate or withdraw any Registered Offering or other registration prior to the effectiveness of such registration whether or not the Lender has elected to include its Registrable Securities in such registration.

(d) Expenses. All registration expenses incurred in connection with registrations pursuant to this Section 9 shall be borne by the Borrower. Unless otherwise stated, all selling expenses relating to the Lender’s Registrable Securities shall be borne by the Lender.

(e) Notification Requirements. In the case of each registration, qualification or compliance effected by the Borrower pursuant to this Agreement, the Borrower will keep the Lender advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Borrower will:

(i) prepare and file with the Commission a registration statement with respect to such securities and use reasonable best efforts to cause such registration statement to become and remain effective for at least one hundred twenty (120) days or until the distribution described in the registration statement has been completed, whichever first occurs; and

(ii) furnish to the Lender, should the Lender participate in such registration, and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents the Lender and/or the underwriters may reasonably request in order to facilitate the public offering of such securities.

(f) Underwriting Agreement Governs. In the event the terms of this Section 9 conflicts with the terms of any underwriting agreement in connection with any registration hereunder, the terms of such underwriting agreement shall control.

(g) Information. If the Lender’s Registrable Securities are to be included in any Registered Offering, the Lender shall furnish to the Borrower such information as the Borrower may request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

(h) Termination. The rights granted pursuant to this Section 9 shall terminate at such time as the Borrower has registered the Lender’s Registrable Securities in a Registered Offering or other registration or when the Lender is permitted to sell all of its Warrant Shares within any ninety day period under Rule 144 promulgated under the Securities Act of 1933.

Section 5. Indemnification.

(a) Indemnification. The Lenders agree, if any of Lenders’ Registrable Securities are included in the securities as to which such registration, qualification or compliance is being effected, to indemnify the Borrower, each of its directors and officers, each underwriter, if any, of the Borrower's securities covered by such a registration statement, each Person who controls the Borrower or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Lender, each of its officers and directors and each Person controlling such Lender within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Borrower, such Lenders, such directors, officers, Persons, underwriters or control Persons for any legal or any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Borrower by the Lender. Notwithstanding the foregoing, the Lender’s liability under this subsection shall be limited in an amount equal to the initial price of the Registrable Securities sold by the Lender, unless such liability arises out of or is based on willful misconduct by the Lender.

(b) Indemnification Procedure. Each party entitled to indemnification under this Section (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action, and provided further that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

6. Covenants of Lender. Lender hereby covenants with Borrower that Lender shall not make any disposition of all or any portion of the Conversion Shares unless and until:

a. There is then in effect a registration statement under the Securities Act covering such proposed disposition, and such disposition is made in accordance with such registration statement; or

b. Such Lender shall have notified Borrower of the proposed disposition and shall have furnished Borrower with a detailed statement of the circumstances surrounding the proposed disposition, and, if requested by Borrower, Lender shall have furnished Borrower with an opinion of counsel, in form and substance satisfactory to Borrower, that such disposition will not require registration of the Conversion Shares under the Securities Act.

7. Covenants of Borrower. The Borrower covenants and agrees that for so long as this Debenture shall remain outstanding the Borrower:

a. will cause to be reserved and kept available out of its authorized and unissued shares of Common Stock such number of shares that will be sufficient to permit the conversion in full of all outstanding Debentures;

b. will take all such action as may be necessary to ensure that all shares of Common Stock delivered upon conversion of the Debentures shall, at the time of delivery of the certificates for such shares, be duly and validly authorized, issued, fully paid and non-assessable;

c. will duly and punctually pay, or cause to be paid, the principal and interest on this Debenture on the date(s) on which such principal and interest comes due and payable in accordance with the terms hereof;

d. will preserve and keep in full force and effect its corporate existence;

e will not declare or pay any cash dividend or other distribution on the Common Stock or make, or directly or indirectly assume, any liability or obligation in connection with any distribution of any sort in respect to its Common Stock.

SONUS COMMUNICATION HOLDINGS, INC.

By:
Sheri Shen, Chief Executive Officer

AGREED TO AND ACCEPTED BY:

By:_____
Name:_____
Title:_____

EXHIBIT 4.4

CREDIT AGREEMENT

dated as of May 11, 2001

between

EMPIRE ONE TELECOMMUNICATIONS, INC. as Debtor and Debtor in Possession

and

EOT LENDING CORP.
as
Lender

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EXHIBITS

SCHEDULES

CREDIT AGREEMENT dated as of_____, 2001 by and between Empire One Telecommunications, Inc. as debtor and debtor in possession (the "Borrower"), and EOT Lending Corp., (the "Lender").

The Borrower filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code on April 2, 2001 (the "Petition Date"). The Borrower has requested the Lender to provide it with a $600,000 working capital loan facility and, subject to the terms and conditions set forth herein, the Lender has agreed to provide such facility.

NOW THEREFORE, the parties hereto hereby agree, effective upon the Effective Date (as hereinafter defined), as follows:

ARTICLE 1

DEFINITIONS

Definitions. As used in this Agreement the following terms have the following meanings (terms defined in the singular to have a correlative meaning when used in the plural and vice versa):

"Agreement" means this Credit Agreement, as amended or supplemented from time to time. References to Articles, Sections, Exhibits, Schedules and the like refer to the Articles, Sections, Exhibits, Schedules and the like of this Agreement unless otherwise indicated.

"Avoidance Actions" means all claims, actions, causes of action arising under Sections 542,544,545,547,548,549,550,551, 553(b), or 724(a) of the Bankruptcy Code.

"Banking Day" means any day other than a day on which commercial banks are not authorized or required to close in New York City.

"Bankruptcy Code" shall mean title 11 of the United States Code, as amended.

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the Southern District of New York or such other court having original jurisdiction over the Chapter 11 Case.

"Borrower" shall have the meaning assigned to such term in the preamble hereto.

"Borrowing" means a borrowing hereunder of a Loan.

"Budget" shall mean the budget for the Borrower attached hereto as Exhibit C for the period commencing on or about the Effective Date and ending on or about the Final Termination Date, as the same may be amended, modified or supplemented from time to time with the Lender's consent.

"Carve-Out Expenses" shall mean (i) amounts payable pursuant to 28 U.S.C. § 1930(a)(6) and (ii) allowed fees and expenses of professionals retained in the Chapter 11 Case pursuant to §§ 327 and 1103 of the Bankruptcy Code up to, but not exceeding $300,000 in the aggregate (inclusive of any holdbacks, but excluding any unused retainers established prior to the date hereof); provided, that such amounts shall not be used for investigating or attacking Lender, its claims or interests, or the Loans.

"Chapter 11 Case" shall mean the Borrower's cases under chapter 11 of the Bankruptcy Code pending in the Bankruptcy Court.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the meaning assigned to such term in the Security and Pledge Agreement but shall not include Avoidance Actions.

"Committee" shall mean the Official Committee of Unsecured Creditors appointed in the Borrower's Chapter 11 case.

"Commitment" shall mean the obligation of the Lender to make Loans to the Borrower in an aggregate principal amount not to exceed $600,000.

"Controlled Group" shall mean all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Default" means any event which with the giving of notice or lapse of time, or both, would become an Event of Default.

"Dollars" and the sign "$" mean lawful money of the United States of America.

"Effective Date" shall have the meaning attributed thereto in Section 6.1 hereof.

"Event of Default" has the meaning given such term in Section 10.1 hereof.

"Facility Documents" means this Agreement, the Note and the Security Documents.

"Final Order" shall mean an order of the Bankruptcy Court, in form and substance satisfactory to the Lender and its counsel, finally approving this Agreement and the extensions of credit made and to be made to the Borrower in accordance with this Agreement in substantially in the form of Exhibit D hereto, as the same may be amended, modified or supplemented from time to time with the express written joinder or consent of the Lender.

"Final Termination Date" shall mean the earlier of (a) the date the last outstanding Borrowing shall be due and payable, and (b) the occurrence of an Event of Default.

"Foreign Collateral" shall have the meaning attributed thereto in Section 5.5(c) hereof.

"Interim Order" shall mean an order of the Bankruptcy Court, in form and substance satisfactory to the Lender and its counsel, approving this Agreement and all or a portion of the extension of credit to be made by the Lender in accordance with this Agreement on an interim basis, and finding, among other things, that the applicable Loans are in good faith and otherwise satisfy § 364(e) of the Bankruptcy Code as the same may be amended, modified or supplemented from time to time with the express written joinder or consent of the Lender.

"Lender" shall have the meaning assigned to such term in the preamble hereto.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loans" shall mean the Loans provided for in Section 2.1(a) hereof.

"Note" shall mean shall mean the promissory grid note provided for by Section 2.6 hereof and all promissory notes delivered in substitution or exchange therefor, in each case, as the same shall be modified and supplemented and in effect from time to time.

"Obligations" shall mean all indebtedness, obligations and liabilities of the Borrower to the Lender incurred under or related to this Agreement, the Note or any other

Facility Document, whether such indebtedness, obligations or liabilities are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, including the principal amount of Loans outstanding, together with interest thereon, and all expenses, fees and indemnities hereunder or under any other Facility Document, from time to time arising under or in connection with or evidenced or secured by this Agreement, the Note, or any other Facility Document.

"Permitted Liens" shall mean the Liens described in clause (b) of Section 9.2 hereof.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or entity of whatever nature.

"Petition Date" shall have the meaning assigned to such term in the preamble hereto.

"Placement Fee" shall mean a fee of three percent (3%) of the amount of each Borrowing, payable to the Lender in cash on the date of each Borrowing.

"Plan of Reorganization" shall mean any chapter 11 plan for the Borrower.

"Post-Default Rate" shall mean, in respect of any principal of any Obligation or any other amount under this Agreement or any Note that is not paid when due (whether at stated maturity; by acceleration, by optional or mandatory prepayment or otherwise), at a rate per annum during the period from and including the due date to but excluding the date on which such amount is paid in full equal to 16%.

"Security and Pledge Agreement" shall mean a Security and Pledge Agreement executed by the Borrower in favor of the Lender, substantially in the form of Exhibit B hereto and covering the collateral identified therein, as the same shall be amended modified and supplemented and in effect from time to time.

"Security Documents" shall mean, collectively, the Security and Pledge Agreement, all Uniform Commercial Code financing statements required by this Agreement or the Security and Pledge Agreement which have been or will be filed with respect to the security interests in personal property and fixtures created pursuant thereto, and all additional Security and Pledge Agreements, mortgages or Uniform Commercial Code financing statements heretofore or hereafter delivered or filed, as the case may be, by the Borrower pursuant to the terms of this Agreement or the Security and Pledge Agreement.

"Subsidiary" means, as to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions at the time owned directly or indirectly by such Person.

"Termination Date" shall mean, with respect to each Borrowing, the earlier of (a) twelve months from the date of each Borrowing, and (b) the occurrence of an Event of Default.

ARTICLE 2

THE CREDITS

Section 2.1 The Commitment.

(1) Subject to the terms and conditions set forth herein, the Lender agrees to make one or more multiple draw Loans to the Borrower from time to time

during in an aggregate principal amount not to exceed the Commitment. Loans once repaid or prepaid may not be reborrowed.

(2) Notwithstanding anything herein to the contrary, the Lender shall have no obligation to make Loans hereunder in excess of the amounts authorized in the Chapter 11 Case and any reference herein to the amount of any Commitment shall be automatically reduced to the amounts so authorized.

Section 2.2 Borrowings. The Borrower shall give the Lender notice of each Borrowing of Loans hereunder as provided in Section 4.4 hereof. On the date specified for each Borrowing hereunder, the Lender shall, subject to the terms and conditions of this Agreement make available the amount of such Borrowing to the Borrower by depositing the same, in immediately available funds, in an account of the Borrower designated for such purpose from time to time by the Borrower.

Section 2.3 Changes of Commitment.

(1) The Commitment shall be automatically reduced to zero on the Commitment Termination Date.

(2) The Borrower shall have the right at any time or from time to time (i) so long as no Loans are outstanding, to terminate the Commitment and (ii) to reduce the unused amount of the Commitment; provided that (x) the Borrower shall give notice of each such termination or reduction as provided in Section 4.4 hereof and (y) each partial reduction shall be in an amount at least equal to $50,000 or in multiples of $10,000 in excess thereof.

(3) The Commitment once terminated or reduced may not be reinstated.

Section 2.4 Fees. Lender has agreed to provide working capital Loans under the terms of this Agreement for the Borrower's ordinary course operations. The Borrower has agreed to the Placement Fee in consideration of Lender's agreement to enter into this Agreement. Therefore, in full satisfaction of any and all fees, including any commitment fee, facility fee or termination fee, in connection with the Loans, the Borrower shall be obligated to pay Lender the Placement Fee.

Section 2.5 Use of Proceeds. The Borrower hereby covenants, represents and warrants that the proceeds of the Loans made to it will be used solely to fund the Borrower's continued ordinary course operations, and working capital needs, in each case solely in accordance with the Budget.

Section 2.6 Note. The Loans made by the Lender hereunder shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A hereto, dated as of the date hereof, payable to the Lender in a principal amount equal to the amount of the Commitment as originally in effect and otherwise duly completed. The date and amount of each Loan made by the Lender to the Borrower, and all payments and prepayments made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of the Note, endorsed by the Lender on the schedule attached to such Note or any continuation thereof; provided, however, that any failure by the Lender to make any such notation shall not affect the obligations of the Borrower hereunder or under such Note in respect of such obligations.

Section 2.7 Optional Prepayments. Subject to Section 4.3 hereof, the Borrower shall have the right to prepay the Obligations, at any time or from time to time, provided the Borrower shall give the Lender notice of each such prepayment as provided in Section 4.4 hereof.

Section 2.8 Mandatory Prepayments and Reductions of Commitment. If at any time the Loans outstanding hereunder exceed the Commitment then available, then the Borrower shall immediately repay the Loans in the amount of such excess.

ARTICLE 3

PAYMENTS OF PRINCIPAL AND INTEREST

Section 3.1 Amortization.

(1) To the extent not due and payable earlier pursuant to the terms of this Agreement, the entire unpaid principal amount of each Borrowing shall be due and payable on its Termination Date.

Section 3.2 Interest.

(a) The Borrower hereby promises to pay to the Lender interest on the unpaid principal amount of each Loan, for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full at a rate per annum equal to 12%.

(2) Notwithstanding the foregoing, the Borrower hereby promises to pay to the Lender interest on the Loans at the Post-Default Rate (i) upon the occurrence and during the continuance of an Event of Default hereunder and (ii) on any principal of any Loan and on any other amount payable by the Borrower hereunder or under the Note which shall not be paid in full when due (whether at stated maturity, by acceleration, by mandatory prepayment or otherwise), for the period from and including the due date thereof to but excluding the date the same is paid in full.

(3) Accrued interest on the Loans shall be payable at maturity.

(4) Notwithstanding anything herein to the contrary, interest payable at the Post-Default Rate shall be payable in cash from time to time on demand.

ARTICLE 4

PAYMENTS; COMPUTATIONS; ETC.

Section 4.1 Payments.

(1) Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower to the Lender under this Agreement, the Note and the other Facility Documents shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, into an account (Account No.) maintained in the name of the Lender at [name of bank], New York, New York (or such other account designated by the Lender from time to time) not later than 1:00 p.m. New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed, to have been made on the next succeeding Banking Day).

(2) The Borrower shall, at the time of making any payment or prepayment under this Agreement or any Note, specify to the Lender the Obligations or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that the Borrower fails to so specify, or if an Event of Default has occurred and is continuing, the Lender may apply the amount of such payment received by it in such manner as it may determine to be appropriate).

(3) If the due date of any payment under this Agreement or any Note would otherwise fall on a day that is not a Banking Day, such date shall be extended to the next succeeding Banking Day, and interest shall be payable for any principal so extended for the period of such extension.

Section 4.2 Computations. Interest hereunder shall be computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

Section 4.3 Minimum Amounts. Each Borrowing hereunder or optional partial prepayment of principal of the Loan shall be in an amount at least equal to $50,000 or in multiples of $10,000 in excess thereof.

Section 4.4 Certain Notices. Notices by the Borrower to the Lender of terminations or reductions of the Commitments, of Borrowings and of optional prepayments of the Obligations shall be irrevocable and shall be effective only if received by the Lender not later than 12:00 noon New York time on the number of Banking Days prior to the date of the relevant termination, reduction, borrowing or prepayment specified below:

Notice	Number of Banking Days Prior
Termination or reduction of Commitment	2
Borrowing or repayment of Loans	1

Each such notice of termination or reduction shall specify the amount and type of the Commitment to be terminated or reduced. Each notice of optional prepayment shall specify the amount and type of Loan to be prepaid, and each such notice of Borrowing shall specify the type of Loan to be borrowed (subject to Section 4.3 hereof) and the date of borrowing or optional prepayment (which shall be a Banking Day).

ARTICLE 5

SECURITY: ADMINISTRATION PRIORITY

Section 5.1 Grant of Lien and Security Interest.

(1) Pursuant to this Agreement and the Security Documents, the Borrower hereby assigns, pledges, transfers, grants, confirms and sets over unto the Lender, and hereby grants and creates in favor of the Lender a security interest in and to, the Collateral other than Avoidance Actions.

(2) The liens and security interests in favor of the Lender referred to in Section 5.1(a) hereof and under the Security Documents shall be valid and perfected liens and security interests, prior to all other liens and interests, other than Permitted Liens, and shall have second priority, with respect to Collateral, junior only to the Permitted Liens thereon; provided that the liens and security interests in favor of the Lender referred to in Section 5.1(a) hereof and under the Security Documents shall be subject to the Carve-Out Expenses. All liens and security interests in favor of the Lenders hereunder and under the Security and Pledge Agreements and their priority shall remain in effect until the Commitments have been terminated and all Obligations have been repaid in cash in full.

Section 5.2 Administrative Priority. The Borrower hereby agrees that the Obligations of the Borrower shall constitute allowed administrative expenses in the Chapter 11 Case
having super-priority status under § 364(c)(1) of the Bankruptcy Code over all other administrative expenses and unsecured claims against the Borrower now existing or hereafter arising of any kind or nature whatsoever, including without limitation all administrative expenses, charges and claims of the kind specified in §§ 503(b), 506(c), 726 and 507(b) of the Bankruptcy Code, subject, as to priority, only to Carve-Out Expenses; provided, however, that the administrative priority accorded Lender shall not extend to Avoidance Actions.

Section 5.3 Grants, Rights and Remedies Cumulative. The liens and security interests granted pursuant to Section 5.1(a) hereof and the Security Documents and the administrative priority granted pursuant to Section 5.2 hereof, may be independently granted by the Facility Documents, the Interim Order, the Final Order and by other agreements hereafter entered into. This Agreement, the other Facility Documents, the Interim Order, the Final Order and such other agreements hereinafter entered into supplement each other, and the grants, priorities, rights and remedies of the Lender hereunder and thereunder are cumulative.

Section 5.4 No Filings Required. The liens and security interests referred to in Section 5.1(a) hereof, and in the other Facility Documents shall be deemed valid and perfected by Interim Order or the Final Order, as the case may be, whichever occurs first. The Lender shall not be required to file any financing statements, notices of lien, mortgages or similar instruments in any jurisdiction or filing office, or to take possession of any Collateral or to take any other action in order to validate or perfect the Liens and security interests granted by or pursuant to this Agreement, the Interim Order or the Final Order, as the case may be, or any other Facility Document. Lender shall, in its sole discretion, from time to time choose to file such financing statements, notices of lien, mortgages or similar instruments, take possession of any Collateral, or take any other action to validate or perfect any such security interests or liens, all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of the Interim Order or, if no Interim Order is obtained, the Final Order, and the Borrower consents to the modification of the automatic stay under § 362 of the Bankruptcy Code to permit the Lender to file such financing statements, notices of lien or similar instruments, take possession of any collateral, or take any other action to validate or perfect any such security interests or liens.

Section 5.5 Survival. The Liens, security interests, lien priorities, administrative priorities and other rights and remedies granted to the Lender pursuant to this Agreement and the other Facility Documents (specifically including but not limited to the existence, perfection and priority of the liens and security interests provided herein and therein, and the administrative priority provided herein and therein) shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of debt by the Borrower (pursuant to § 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of the Chapter 11 Case, or, with respect to any Loans then outstanding, any modification, amendment or reversal or stay of the Interim Order or the Final Order, as the case may be, or by any other act or omission whatsoever. Without limitation, notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act of omission:

(a) except for the Carve-Out Expenses, no costs or expenses of administration which have been or may be incurred in the Chapter 11 Case or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or will be prior to or on a parity with any claim of the Lender against the Borrower in respect of any Obligation;

(b) the Liens and security interests in favor of the Lender set forth in Section 5.1(a) hereof and in the Facility Documents shall constitute valid and perfected first priority Liens and security interests, subject only to the Permitted Liens to which such Liens and security interests hereunder shall be subordinate and junior, and shall be prior to all other Liens and security interests, now existing or hereafter arising, in favor of any other creditor to any other Person whatsoever; provided that all such liens and security interests of the Lender set forth in Section 5.1(a) hereof or in any of the Facility Documents shall be subject to the Carve-Out Expenses; and

(c) the Liens and security interests in favor of the Lender set forth in Section 5.1(a) hereof and the Facility Documents shall be valid and perfected without the necessity that the Lender file financing statements, notices of lien, mortgages or otherwise perfect its Liens and security interests under applicable nonbankruptcy law except for such Collateral as is or may be hereafter be located outside of the territorial limits of the United States of America ("Foreign Collateral") to the extent that the same

may not be subject to the jurisdiction of the Bankruptcy Court. The Borrower shall take all reasonable steps required to perfect Lender's security interest in the Foreign Collateral under applicable non-bankruptcy law as promptly as practicable, but in no event later than thirty days after the Effective Date; provided, however, that a failure to do so shall not constitute an Event of Default hereunder.

ARTICLE 6

CONDITIONS PRECEDENT

Section 6.1 Conditions Precedent. The obligation of the Lender to make Loans available hereunder shall occur on the date (the "Effective Date") on or before July 1, 2001 that the Lender shall have received each of the following, in form, and substance satisfactory to the Lender and its counsel:

(a) the Note duly executed by the Borrower;

(b) the Security and Pledge Agreement duly executed by the Borrower together with such financing statements executed by the Borrower which in the opinion of the Lender are desirable to perfect the liens and security interest created hereby and by the Security and Pledge Agreement;

(c) the stock certificates evidencing the Pledged Interests, accompanied by undated stock powers duly executed in blank;

(d) evidence that either the Interim Order or the Final Order, as the case may be, shall have been entered by the Bankruptcy Court approving the Commitment (or such lesser amount as shall be acceptable to the Lender in its sole discretion), and such order shall be in full force and effect and shall not have been reversed, stayed, modified or amended;

(e) a copy of the charter, as amended and in effect, of the Borrower certified as of recent date by the Secretary of State of the state of its incorporation, and a certificate from such Secretary of State dated as of recent date as to the good standing of and charter documents filed by the Borrower;

(f) a certificate from the Secretary of the Borrower, dated the Effective Date, certifying (a) that the attached are true and complete copies of the by-laws of the Borrower as amended and in effect, (b) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing execution, delivery and performance of this Agreement and the other Facility Documents to which the Borrower is a party and the extensions of credit hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (c) that the charter of the Borrower has not been amended since the date of the certification thereto furnished pursuant to clause (e) above, and (d) as to the incumbency and specimen signature of each officer of the Borrower executing the Facility Documents;

(g) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary of the Borrower;

(h) a certificate of a duly authorized officer of the Borrower, dated the Effective Date, stating that (a) the representations and warranties in Article 7 of this Agreement and in the other Facility Documents are true and correct on such date as though made on and as of such date, (b) no event has occurred and is continuing which constitutes a Default or an Event of Default hereunder and (c) prior to the Effective Date no material adverse change in the assets, business, operations or financial condition of the Borrower has occurred or become known since the Petition Date, except as disclosed in writing by the Borrower to the Lender prior to the Effective Date;

(i) the Liens and security interests in favor of the Lender granted pursuant hereto and the Security and Pledge Agreement shall be valid and perfected first priority Liens prior (except for Permitted Liens to which such Liens and security interests are subordinate and junior) to all other Liens in or on the Collateral intended to be subject thereto, subject to the Carve-Out Expenses;

(j) evidence that all fees, retainers and expenses required by this Agreement to be paid on or before the Effective Date shall have been paid in full (or shall have been authorized by the Interim Order, or the Final Order, as the case may be);

(k) the Lender shall otherwise be satisfied in all material respects (in its sole discretion) with the results of its business, operational and legal due diligence in respect of the Borrower; and

(l) such other approvals, opinions or documents as the Lender may reasonably request.

Section 6.2 Certification. Each notice of a Borrowing shall be accompanied by a certificate of a duly authorized officer of the Borrower certifying that the statements contained in Article VII are true and correct both on the date of such notice and, unless the Borrower otherwise notifies the Lender prior to such Borrowing, as of the date of such Borrowing.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants that upon the occurrence of the Effective Date:

Section 7.1 Incorporation, Good Standing and Due Qualification. The Borrower and its Subsidiaries (a) are corporations duly organized, validly existing and in good standing under the laws or the jurisdiction of their organization; (b) have the requisite corporate power and have material governmental licenses, authorizations, consents and approvals necessary to own their assets, except as disclosed in Schedule II hereto, and carry on the business in which they are now engaged or proposed to be engaged; and (c) are duly qualified to do business in all jurisdictions in which the nature of the business conducted by the Borrower and its Subsidiaries makes such qualification necessary and to so qualify would have a material adverse effect on their business, financial condition or operations.

Section 7.2 Corporate Power and Authority; No Conflicts. Subject to the Bankruptcy Court approval, the execution, delivery and performance by the Borrower of the Facility Documents, the grant by the Borrower and the perfection of the security interests purported to be granted in favor of the Lender hereunder and under the Security Documents, and the exercise by the Lender of any rights and remedies hereunder or under the other Facility Documents have been duly authorized by all necessary corporate action and do not and will not: (a) contravene any provision of its charter or bylaws; (b) violate any provision of, or require any filing, registration, consent or approval under, any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower or any of its Subsidiaries or affiliates (other than entry of the Interim Order or the Final Order, as the case may be, and as otherwise provided under Section 10.3 hereof); (c) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease, or instrument to which the Borrower is a party or by which it or its properties may be bound or affected which would not be cured by entry of the Interim Order or Final Order; (d) result in, or require, the creation or imposition of any Lien (other than as provided hereunder and under the Security Documents), upon or with respect to any of the properties now owned or hereafter acquired by the Borrowing; or (e) cause the Borrower (or any Subsidiary or affiliate, as the case may be, of the Borrower) to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument which would not be cured by entry of the Interim Order and Final Order.

Section 7.3 Legally Enforceable Agreements. Subject to Bankruptcy Court approval, each Facility Document is, or when delivered under this Agreement will be, a

legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

Section 7.4 Litigation. Other than the Chapter 11 Case and as set forth in Schedule III hereto, there are no actions, suits or proceedings pending against the Borrower or any of its Subsidiaries or any of their respective properties before any court, governmental agency or arbitrator which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of the Borrower or any such Subsidiary or the ability of the Borrower to perform its obligations under the Facility Documents.

Section 7.5 Subsidiaries. Schedule I hereto is a complete and correct description of the name, jurisdiction of incorporation and ownership of the outstanding capital stock of each Subsidiary of the Borrower as in existence on the date hereof. All shares of such stock or other equity or ownership interests owned by the Borrower or one or more of its Subsidiaries, as indicated in such Schedule, are owned free and clear of all liens, security interests and other charges and encumbrances.

Section 7.6 No Default on Outstanding Judgments or Orders. Neither the Borrower nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign, other than as a result of the Chapter 11 Case.

Section 7.7 Government Regulation. Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, the Federal Power Act or any statute or regulation limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

Section 7.8 Administrative Priority.

(1) The obligations of the Borrower will constitute allowed administrative expenses in the Chapter 11 Case having priority over all other administrative expenses and unsecured claims against the Borrower, now existing or hereafter arising, of any kind or nature whatsoever, including without limitation all other administrative expenses, charges or claims of the kind specified in Sections 503(b), 506(c), 507(b) and 723(b) of the Bankruptcy Code, subject, as to priority, only to Carve-Out Expenses; provided, however, that the administrative priority accorded to Lender shall not extend to Avoidance Actions.

(2) The Obligations of the Borrower will be secured by a valid and perfected first Lien on and security interest in all of the Collateral, subject only to the Permitted Liens to which such Liens and security interests shall be junior to and subordinate, and subject further to the Carve-Out Expenses.

Section 7.9 Bankruptcy Court Orders. The Interim Order or the Final Order, as the case may be, is in full force and effect, and has not been reversed, stayed, modified or amended.

ARTICLE 8

AFFIRMATIVE COVENANTS

So long as any Note shall remain unpaid, the Borrower shall:

Section 8.1 Maintenance of Existence. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence and good standing in the jurisdiction of its organization, and qualify and remain qualified, and cause each of its Subsidiaries to qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is required.

Section 8.2 Conduct of Business. (1) Continue, and cause each of its Subsidiaries to continue, to engage in an efficient and economical manner in a business of the same general type as conducted by it on the date of this Agreement, (b) obtain, and cause each of its Subsidiaries to obtain, from time to time all licenses, permits, authorizations or other forms of permission which under federal, state and local laws are necessary or advisable for operating and maintaining the conduct of the business of the Borrower and its Subsidiaries (including, without limitation, copyrights, trademarks, patents and licenses to use tangible or intangible property and similar rights) if the failure to so obtain or maintain any such license, permit, authorization or other form of permission would result in a material adverse change in the financial condition of the Borrower and its Subsidiaries, and (c) use its best efforts, and cause each of its Subsidiaries to use its best efforts, to preserve and protect the value of the Collateral.

Section 8.3 Maintenance of Properties and Executory Contracts and Leases. Maintain, keep and preserve, and cause each of its Subsidiaries to maintain, keep and preserve, all of its properties (tangible and intangible) including leased property, necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and shall use its best efforts to ensure that all leases and executory contracts necessary or useful in the Borrower's or any of such Subsidiaries' business or operations remain in full force and effect (without prejudice, however, to the Borrower's right to assume or reject such leases or executory contracts under § 365 of the Bankruptcy Code), except to the extent otherwise consented to by the Lender or to the extent that failure to do so would not result in a material adverse change in the financial condition of the Borrower and its Subsidiaries.

Section 8.4 Maintenance of Records. Keep, and cause each of its Subsidiaries to keep, adequate records and books of account, in which complete entries will be made reflecting all financial transactions of the Borrower and its Subsidiaries.

Section 8.5 Compliance with Laws. Comply, and cause each of its Subsidiaries to comply, in all respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property, subject to the limitations and requirements of the Bankruptcy Code.

Section 8.6 Right of Inspection. At any reasonable time and from time to time, permit the Lender or any agent or representative thereof, to examine and make copies and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any such Subsidiary with any of their respective officers and directors and the Borrower's independent accountants.

Section 8.7 Further Assurances. Execute, acknowledge, deliver, record, file, register, perform and do any and all such further acts, deeds, conveyances, Security and Pledge Agreements, assignments, estoppel certificates, financing statements, assurances and other instruments as the Lender may reasonably request from time to time in order (a) to carry out more effectively the purposes of this Agreement or any other Facility Document, (b) to subject the Collateral to valid and perfected first priority liens and security interests (subject, as to priority, to the Permitted Liens and the Carve-Out Expenses), (c) to perfect and maintain the validity, effectiveness and priority of any of the Facility Documents and the Liens and security interests intended to be created thereby, and (d) to better assure, convey, grant, assign, transfer, preserve, protect and confirm unto the Lender the rights granted or now or hereafter intended to be granted to the Lender under any Facility Document. The assurances contemplated by this Section 8.7 shall be given under applicable nonbankruptcy law as well as the Bankruptcy Code, it being the intention of the parties that the Lender may request assurances under applicable nonbankruptcy law, and such request shall be complied with (if otherwise made in good faith by the Lender) whether or not the Interim Order or the Final Order is in force and whether or not dismissal of the Chapter 11 Case or any other action by the Bankruptcy Court is imminent, likely or threatened.

ARTICLE 9

NEGATIVE COVENANTS

So long as any Note shall remain unpaid, the Borrower shall not:

Section 9.1 Liens. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien upon or with respect to any of its properties, now owned or hereafter acquired, except:

(1) Liens provided for under the Security Documents;

(2) Liens for taxes or assessments or other government charges or levies if not yet due and payable if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(3) Liens imposed by law, such as mechanic's, materialmen's, landlord's, warehousemen's and carrier's Liens, and other similar Liens, securing the obligations incurred in the ordinary course of business which are not past due for more than 30 days, or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(4) Liens under workmen's compensation, unemployment insurance, social security or similar legislation;

(5) Liens, deposits or pledges or liens granted to secure the Borrower's obligations under letters of credit issued to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(6) judgment and other similar Liens arising in connection with court proceedings; provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings and for which appropriate reserves have been established;

(g) Liens listed on Schedule IV hereto; and

(h) easements, rights-of-way, restrictions and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by the Borrower or any such Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

Section 9.2 Bankruptcy Court Orders; Administrative Priority; Lien Priority; Payment of Claims.

(1) Seek, consent to or suffer to exist any modification, stay, vacation or amendment of the Interim Order, or the Final Order, as the case may be, except for modifications and amendments agreed to by the Lender.

(2) Seek, consent to or suffer to exist a priority for any administrative expense or unsecured claim against the Borrower (now existing or hereafter arising of any kind or nature whatsoever, including without limitation any administrative expenses, charges or claims of the kind specified in Sections 503(b), 506(c), 507(b) and 723(b) of the Bankruptcy Code) equal or superior to the priority of the Lender in respect of the Obligations, except for the Carve-Out Expenses.

(3) Suffer to exist any Lien on the Collateral having a priority equal or superior to the Liens and security interests in favor of the Lender in respect of the Obligations, except for Permitted Liens, and subject to the Carve-Out Expenses.

(4) Prior to the date on which the Obligations have been paid in full in cash and the Commitments have been terminated, pay any administrative expense claims except, so long as no Default or Event of Default has occurred and is continuing hereunder, the Borrower may pay (i) administrative expense claims incurred in the ordinary course of the business of the Borrower and (ii) amounts payable pursuant to 28 U.S.C. § 1930(a)(6) and the allowed fees and expenses of professionals under §§ 330 and 331 of the Bankruptcy Code not in excess of $300,000 in the aggregate, inclusive of any holdbacks and retainers, in each case, unless otherwise approved by the Lender, strictly in accordance with the Budget.

ARTICLE 10

EVENTS OF DEFAULT

Section 10.1 Events of Default. Any of the following events shall be an "Event of Default":

(1) the Borrower shall: (i) fail to pay the principal of any Note as and when due and payable; or (ii) fail to pay interest on the Notes or any fee or other amount due hereunder as and when due and payable and such failure shall continue unremedied for ten Banking Days; or

(2) any material representation or material warranty made or deemed made by any Borrower in this Agreement or in any other Facility Document to which it is a party or which is contained in any certificate, document, opinion, financial or other statement furnished at any time under or in connection with any Facility Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made and shall continue unremedied for five Banking Days after notice thereof; or

(3) an order with respect to the Chapter 11 Case shall be entered by the Bankruptcy Court, or the Borrower shall file an application for an order with respect to the Chapter 11 Case (i) appointing a trustee in any such Chapter 11 Case or (ii) appointing an examiner in the Chapter 11 Case with the authority to perform the duties of a trustee (other than the duties solely of an examiner) in respect of the estate of the Borrower or the operation of the business of the Borrower; or

(4) an order with respect to the Chapter 11 Case shall be entered by the Bankruptcy Court dismissing the Chapter 11 Case or converting the Chapter 11 Case to a chapter 7 case; or

(5) an order shall be entered by the Bankruptcy Court confirming a plan of reorganization in the Chapter 11 Case, or a plan of reorganization shall be filed, which does not contain a provision for termination of the Commitments and payment in full in cash of all Obligations of the Borrower hereunder and under the other Facility Documents on or before the effective date of such plan or which is not otherwise satisfactory in all material respects to the Lender; or

(6) an order with respect to the Chapter 11 Case shall be entered by the Bankruptcy Court without the express prior written consent of the Lender (i) to revoke, reverse, stay, modify, supplement or amend the Interim Order, or the Final Order or any of the Facility Documents, (ii) approving the incurrence by the Borrower of any debt not contemplated hereunder, (iii) to permit any administrative expense or any claim (now existing or hereafter arising, of any kind or nature whatsoever) to have administrative priority equal or superior to the priority of the Lender in respect of the Obligations, except for Carve-Out Expenses, or (iv) to grant or permit the grant of a Lien on the Collateral other than Permitted Liens; or

(7) an order shall be entered by the Bankruptcy Court that is not stayed pending appeal granting relief from the automatic stay to any creditor of the Borrower with respect to any claim secured by any asset or assets of the Borrower having book value equal to or exceeding $200,000 in the aggregate; provided, however, that it shall not be an Event of Default if relief from the automatic stay is lifted solely for the purpose of allowing such creditor to determine the liquidated amount of its claim against the Borrower or such claim is covered by insurance; or

(8) an application for any of the orders described in clauses (c), (d), (e), (f) or (g) above shall be made (i) by a Person other than the Borrower and such application is not contested by the Borrower or (ii) by the Borrower; or

(9) any judgment or order shall be entered against the Borrower or any of its Subsidiaries or any other event shall occur or condition exist which does or could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), business, operation or prospects of the Borrower or any of its Subsidiaries, and there shall be a period of ten consecutive days during which a stay or enforcement of such judgment or order shall not be in effect; or

(10) the Security Documents shall at any time after their execution and delivery and for any reason cease: (A) to create a valid and perfected security interest and Lien in and to the property purported to be subject thereto having the priority specified in the Security Documents; or (B) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Borrower, or the Borrower shall deny it has any further liability or obligation under any such agreement, or the Borrower shall fail to perform any of its obligations thereunder and such failure shall continue for five Banking Days after notice thereof; or

(11) the Borrower shall: (i) fail to perform or observe any other material term, material covenant or material agreement on its part to be performed or observed in any business Facility Document and such failure shall continue unremedied for thirty Banking Days after notice thereof; or (ii) fail to comply with any of the terms or provisions of the Interim Order or the Final Order.

Section 10.2 Consequences of an Event of Default. If an Event of Default shall occur and so long as it shall continue or, the Lender may, by notice to the Borrower, declare the Commitment terminated, whereupon the Commitments will terminate immediately and any fees hereunder shall be immediately due and payable without further order of or application to the Bankruptcy Court, presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue.

Section 10.3 Certain Remedies. If an Event of Default has occurred and is continuing, the Lender may, on fifteen Banking Days' prior written notice to the Borrower, the Committee, and the Office of the United States Trustee, Southern District of New York, (i) declare the unpaid principal amount of the Notes, interest accrued thereon, and all other amounts owing by the Borrower hereunder or under the Note to be immediately due and payable without further order of or application to the Bankruptcy Court, presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, an action therefor shall immediately accrue, and (ii) exercise all rights and remedies which the Lender may have hereunder or under any other Facility Document, the Interim Order, the Final Order or at law (including but not limited to the Bankruptcy Code and the Uniform Commercial Code) or in equity or otherwise, without regard to the automatic stay provided for in § 362 of the Bankruptcy Code with respect to the Borrower or any of its property. Within such ten Banking Days, the Borrower or any other party-in-interest may seek a hearing before the Bankruptcy Court and the Lender shall refrain from enforcing any of its remedies hereunder until the Bankruptcy Court has ruled in respect thereof or an agreement has otherwise been reached. Unless the Bankruptcy Court shall order that no Event of Default has occurred or has granted other related relief, the automatic stay under § 362 of the Bankruptcy Code shall be vacated with respect to the Collateral, and the Lender shall

be free to exercise all of its rights with respect to the Collateral, subject to the rights of the holders of Permitted Liens, without further approval of the Bankruptcy Court. All proceeds in respect thereof shall be applied by the Lender to reduce the Obligations in the Lender's sole discretion, and the Borrower shall remain liable for any deficiencies. With respect to any lease or executory contract constituting part of the Collateral, the Lender shall have the right to cause the Borrower to assume and assign such lease or executory contract to the Lender or its designee, although nothing herein shall be construed to limit the rights of the counterparty to such lease or executory contract to adequate assurance and cure payments under § 365 of the Bankruptcy Code or to impose any obligation on the Lender to make any such adequate assurance or cure payments. Any proceeds received by the Borrower in connection with the assumption and assignment of any executory contract or lease shall be proceeds of the Collateral and immediately remitted to the Lender to reduce the Obligations then outstanding. All such remedies shall be cumulative and not exclusive. No failure on the part of such Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

ARTICLE 11

MISCELLANEOUS

Section 11.1 Amendments and Waivers. The Borrower and the Lender may from time to time enter into agreements amending, modifying or supplementing this Agreement, the Notes or any other Facility Documents, and the Lender may from time to time grant waivers or consents to a departure from the due performance of the obligations of the Borrower hereunder or thereunder. Any such agreement, waiver or consent must be in writing and shall be effective only to the extent specifically set forth in such writing. In the case of any such waiver or consent relating to any provision hereof, any Event of Default so waived or consented to shall be deemed to be cured and not continuing, but no such waiver or consent shall extend to any other or subsequent Event of Default or impair any right consequent thereto.

Section 11.2 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Lender, the Borrower and their respective successors and assigns (including, except for the right to request Loans, any trustee or examiner or other person with expanded powers succeeding to the rights of the Borrower or pursuant to any conversion to a case under chapter 7 of the Bankruptcy Code).

Section 11.3 The Lender as Party-in-Interest. The Borrower hereby stipulates and agrees that the Lender is and shall remain a party-in-interest in the Chapter 11 Case and shall have the right to participate, object and be heard in any motion or proceeding in connection therewith (including but not limited to objections to use of proceeds of the Loans, to the payment of professional fees and expenses or the amount thereof, to sales or other transactions outside the ordinary course of business or to assumption or rejection of any executory contract or lease).

Section 11.4 Assignment and Participation. This Agreement shall be binding upon, and shall inure to the benefit of, the Borrower and the Lender and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder. The Lender may assign, or sell participations in, all or any part of the Obligations (including all or a portion of its Commitment) owing to the Lender to another Lender or other entity, in which event (a) in the case of an assignment, upon notice thereof by the Lender to the Borrower, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it were the Lender hereunder; and (b) in the case of a participation, the participant shall have no rights under the Facility Documents. The agreement executed by the Lender in favor of the participant shall not give the participant the right to require the Lender to take or omit to take any action hereunder except action directly relating to (i) the extension of a payment date with respect to any portion of the principal of or interest on any amount outstanding hereunder allocated to such participant, (ii) the reduction of the principal amount outstanding hereunder or (iii) the reduction of

the rate of interest payable on such amount or any amount of fees payable hereunder to a rate or amount, as the case may be, below that which the participant is entitled to receive under its agreement with the Lender. The Lender may furnish any information concerning the Borrower in the possession of the Lender from time to time to assignees and participants (including prospective assignees and participants); provided that the Lender shall require any such prospective assignee or such participant (prospective or otherwise) to agree in writing to maintain the confidentiality of such information.

Section 11.5 Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be given to the Lender and to the Borrower by telecopier or by overnight courier or by personal delivery addressed to such party at its address on the signature page of this Agreement with a copy to the Committee c/o Andrew I. Siffen, Esq., Olshan Grundman Frome Rosenzweig & Wolosky LLP, 505 Park Avenue, New York, New York 10022, telecopier number: 212-755-1467, telephone number: 212-753-7200.

Section 11.6 Table of Contents; Headings. Any table of contents and the headings and captions hereunder are for convenience only and shall not affect the interpretation or construction of this Agreement.

Section 11.7 Severability. The provisions of this Agreement are intended to be severable. If for any reason any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 11.8 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

Section 11.9 Integration. The Facility Documents set forth the entire agreement between the parties hereto relating to the transactions contemplated thereby and supersede any prior oral or written statements or agreements with respect to such transactions.

Section 11.10 Governing Law. This Agreement shall be governed by, and interpreted and construed in accordance with, the internal laws of the State of New York, except to the extent governed by the Bankruptcy Code.

Section 11.11 Waiver of Jury Trial. BY ITS EXECUTION AND DELIVERY OF THIS AGREEMENT THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION AGAINST THE LENDER, ANY PARTICIPANT, ASSIGNEE OR INDEMNIFIED PARTY, BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OTHER FACILITY DOCUMENT, ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE LENDER OR THE BORROWER IN CONNECTION HEREWITH OR THEREWITH. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER TO ENTER INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

EMPIRE ONE TELECOMMUNICATIONS, INC., as Borrower

By_____
Title:

Address for Notices:

Telephone:
Telecopy No.:

EOT LENDING CORP., as Lender

By_____
Title: President

Address for Notices:

Telephone:
Telecopy No.:

SCHEDULE I

SUBSIDIARIES

Subsidiaries of Empire One Telecommunications, Inc.:

1. EOT Telecommunications of Canada, Inc.
2. Empire One Power, Inc.

EXHIBIT 4.5

SECURITY AND PLEDGE AGREEMENT

dated as of May 11, 2001

between

EMPIRE ONE TELECOMMUNICATIONS, INC. as
Debtor and Debtor in Possession

and

EOT LENDING CORP.
as
Lender

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ANNEXES

SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT, dated as of _____, 2001 by and among Empire One Telecommunications, Inc., as debtor and debtor in possession (the "Borrower"), and EOT Lending Corp., (the "Lender").

W I T N E S S E T H :

WHEREAS, the Borrower and the Lender have entered into a Credit Agreement (as amended and in effect from time to time, the "Credit Agreement"), dated as of _____,2001 pursuant to which the Lender has agreed to provide the Borrower with a $600,000 working capital loan facility, and upon the terms and subject to the conditions set forth therein, the Lender has agreed to provide such facility;

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement that the Borrower shall have executed and delivered to the Lender a Security and Pledge Agreement in substantially the form hereof;

NOW THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Lender to make the Loan, the Borrower hereby agrees as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. All terms used in this Agreement that are not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement. As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of the terms defined:

"Accounts" shall have the meaning assigned to that term in Section 2.1(d) hereof.

"Agreement" shall mean this Security and Pledge Agreement, as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Avoidance Actions" means all claims, actions, causes of action arising under Sections 542, 544, 545, 547, 548, 549, 550,551, 553(b), or 724(a) of the Bankruptcy Code.

"Collateral" shall have the meaning assigned to that term under Section 2.1 hereof.

"Collateral Account" shall have the meaning assigned to that term in Section 4.1 hereof.

"Contracts" shall mean all contracts and leases (real or personal) between a Borrower and one or more additional parties.

"Contract Rights" shall mean all rights of a Borrower under each Contract (including, without limitation, (i) all right to receive moneys due or to become due under or pursuant to all Contracts, (ii) all rights to terminate, and to perform under, all Contracts, compel performance and otherwise exercise all remedies under all Contracts, including, but not limited to, rights to indemnification, and (iii) all rights to any payments, distributions or proceeds assigned from time to time in connection with, or with

respect to, the assignor's interest in any Person or any partnership or joint venture agreement to which the Borrower is or may hereafter be a party).

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Documents" shall have the meaning assigned to that term in Section 2.1(j) hereof.

"Equipment" shall have the meaning assigned to that term under Section 2.1(h) hereof.

"Governmental Authority" shall mean (i) any government or political subdivision thereof, whether foreign or domestic, national, state, county, municipal or regional or any other government authority, (ii) any agency or other instrumentality of any such government, political subdivision or other governmental entity (including any central bank or comparable agency), (iii) any court, arbitral tribunal or arbitrator and (iv) any non-governmental regulating body, to the extent that the rules, regulations or orders of such body have the force of law.

"Intellectual Property" shall mean, collectively, all Copyrights, all Patents and all Trademarks, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to the Borrower with respect to any of the foregoing, in each case whether now or hereafter owned or used; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (e) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Borrower; and (f) all causes of action, claims and warranties now or hereafter owned or acquired by a Borrower in respect of any of the items listed above.

"Instruments" shall have the meaning assigned to that term in Section 2.1(e) hereof.

"Inventory" shall have the meaning assigned to such term in Section 2.1(f) hereof.

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership, having a fair market value in excess of $40,000.

"Patents" shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"Trademarks" shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all rights corresponding thereto throughout the world, the right to recover

for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

ARTICLE 2

COLLATERAL

Section 2.1 Security Interest in the Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Obligations, the Borrower hereby pledges, grants and assigns to the Lender a Lien and security interest in all right, title and interest of the Borrower in the following property, whether now owned by the Borrower or hereafter acquired, and whether now existing or hereafter coming into existence, other than Avoidance Actions (all being collectively referred to herein as "Collateral"):

(1) all accounts and general intangibles (each as defined in the Uniform Commercial Code) of the Borrower constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to it in respect of any loans or advances or for Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to it under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Borrower and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(2) all instruments, chattel paper or letters of credit (each as defined in the Uniform Commercial Code) of the Borrower evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances (herein collectively called "Instruments");

(3) all inventory (as defined in the Uniform Commercial Code) of the Borrower, including Motor Vehicles held by the Borrower for lease (including lease to Subsidiaries of the Borrower), fuel, tires and other spare parts, including Spare Parts, all goods obtained by the Borrower in exchange for such inventory, and any products made or processed from such inventory including all substances, if any, commingled therewith or added thereto (herein collectively called "Inventory");

(4) all other accounts or general intangibles of the Borrower not constituting Accounts;

(5) all equipment (as defined in the Uniform Commercial Code) of the Borrower, including all Motor Vehicles (herein collectively called "Equipment");

(6) each contract and other agreement of the Borrower relating to the sale or other disposition of Inventory or Equipment;

(7) all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Borrower covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(8) all rights, claims and benefits of the Borrower against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Borrower, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment;

(9) all cash of the Borrower;

(10) all Contracts, together with all Contract Rights;

(11) the balance from time to time in the Collateral Account;

(12) all Intellectual Property, other than non-assignable rights owned by the Borrower or any of its Subsidiaries under licenses whose ownership is solely incidental to the commercial activities of the Borrower and its Subsidiaries;

(13) all other property of the Borrower's estate (within the meaning of the Bankruptcy Code), real or personal, including all rights of payment arising pursuant to the provisions of the Bankruptcy Code; and

(14) all other tangible and intangible personal property and fixtures of the Boower, including, without limitation, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of the Borrower described in the preceding clauses of this Section 2 (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by the Borrower in respect of any of the items listed above) and, to the extent related to any property described in said clauses or such proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Borrower or any computer bureau or service company from time to time acting for the Borrower;

but excluding any right, title and interest of the Borrower in, to or under any Collateral (the "Excluded Property"), to the extent the security interest created hereby or an assignment as security of all or part of the Borrower's right, title or interest in, to or under such Excluded Property would breach, violate or cause a default (which would not be excused or permissible under the relevant provisions of the Bankruptcy Code or by entry of the Final Order or Interim Order, as the case may be) under any agreement or Contract, to which the Borrower is a party or by which it is bound relating to such Excluded Property (it being understood, however, that the proceeds of Excluded Property shall not be excluded from the Collateral except to the extent such a breach, violation or default would arise from the inclusion of such proceeds in the Collateral (which would not be excused or permissible under the relevant provision of the Bankruptcy Code)). Without limiting the Borrower's obligations under the Credit Agreement with respect to such matters, the foregoing grant of a security interest in and of itself shall not be deemed (i) to constitute, require or prevent the assumption of any obligation in the Chapter 11 Case or (ii) to prohibit the rejection of any obligation in the Chapter 11 Case. Anything herein contained to the contrary notwithstanding, the Borrower shall remain liable under any agreements or Contracts, referred to in this Section 2 and to perform all of its respective obligations thereunder, all in accordance with the respective terms and provisions thereof, but subject to the relevant provisions of the Bankruptcy Code and without prejudice to the Borrower's right to assume or reject such leases or executory contracts under § 365 of the Bankruptcy Code, and the Lender shall have no obligation or liability under any of the aforementioned agreements or Contracts by reason of or arising out of the foregoing grant, nor shall Lender be required or obligated in any manner to perform or fulfill any obligation of the Borrower pursuant thereto, or to make any payment, or to present or file any claim, or to take any action to collect or enforce the payment of any amounts which may have been assigned to Lender or to which it may be entitled at any time. However, the Lender shall, at its option, have the right, but not the obligation, to cure any defaults under any such agreements or Contracts being assumed and/or assumed and assigned to the Lender or its designee in connection with the exercise of its remedies hereunder and under Section 10.3 of the Credit Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties. The Borrower represents and warrants to the Lender as of the date hereof as follows:

(1) The Borrower is (or will be at the time the Lien created hereby attaches) and will continue to be until all of the Obligations have been satisfied in full the sole legal, beneficial and record owner of the Collateral in which it purports to grant a security interest pursuant to Section 2 hereof and no Lien exists or will exist upon such Collateral at any time (and no right or option to acquire the same exists in favor of any other Person), except for the Liens and security interests in favor of the Lender created or provided for herein, and in the Credit Agreement and the Liens permitted under Section 9.2 of the Credit Agreement, which Liens and security interests constitute first priority perfected Liens and security interests in and to all of such Collateral, except for the Permitted Liens to which the Lender's security interest herein is junior and subordinate. There is no financing statement naming the Borrower as debtor (or similar documents or instrument of registration under the law of any jurisdiction) now on file or registered in any public office covering any interest of the Borrower in any Collateral, except as permitted under Section 9.2 of the Credit Agreement.

(2) This Agreement creates a valid first priority security interest in favor of the Lender in the Collateral, as security for the Obligations, except for Permitted Liens to which the Lender's security interest herein is junior and subordinate. Upon entry of the Interim Order or Final Order, as the case may be, such security interest is, or in the case of Collateral in which the Borrower obtains rights after the date hereof, will be, a perfected first priority security interest, subject to Permitted Liens. Upon entry of the Interim Order or Final Order, as the case may be, all action necessary or desirable to perfect and protect such security interest has been duly taken.

(3) Annex 1 hereto sets forth all material Contracts, and other material agreements under which the Borrower holds, as of the date of this Agreement, a leasehold or proprietary interest, which Annex shall be updated from time to time promptly after the disposition or acquisition of any such leasehold or proprietary interests.

(4) Annexes 3, 4, and 5 hereto set forth a complete and correct list of all Copyrights, Patents and Trademarks (other than immaterial rights arising under common law) owned by the Borrower on the date hereof; the Borrower owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any Copyright, Patent or Trademark listed in said Annexes 3,4, and 5, and all registrations listed in said Annexes 3, 4,and 5 are valid and in full force and effect; the Borrower owns and possesses the right to use all Copyrights, Patents and Trademarks.

(5) The chief executive office of the Borrower is set forth on Annex 2.

ARTICLE 4

FURTHER ASSURANCES; REMEDIES

Section 4.1 Further Assurances; Remedies. In furtherance of the grant of the security and pledge interest pursuant to Section 2 hereof, each Borrower hereby agrees with the Lender as follows:

Section 4.2 Delivery and Other Perfection. Each Borrower shall:

(1) if any of the shares, securities, interests, moneys or property required to be pledged by it under Section 2.1 hereof are received by the Borrower, forthwith either (i) transfer and deliver to the Lender such shares or securities or interests so received by the Borrower(together with the certificates for any such shares and securities or interests duly endorsed in blank or accompanied by undated stock powers duly executed in blank), all of which thereafter shall be held by the Lender, pursuant to the terms of this Agreement, as part of the Collateral or (ii) take such other action as the Lender shall deem necessary or reasonably appropriate

to duly record the Lien created hereunder in such shares, securities, interests, moneys or property in said clauses (a) and (b) of Section 2.1 herein;

(2) deliver and pledge to the Lender any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Lender may request provided that so long as no Default shall have occurred and be continuing, each Borrower may retain for collection in the ordinary course any Instruments received by the Borrower in the ordinary course of business and the Lender shall, promptly upon request of the Borrower make appropriate arrangements for making any other Instrument pledged by the Borrower available to the Borrower for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Lender, against trust receipt or like document);

(3) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of the Lender) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Lender to exercise and enforce its rights hereunder with respect to such security and pledge interest;

(4) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Lender may reasonably require in order to reflect the security interests granted by this Agreement; and

(5) permit representatives of the Lender, upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Lender to be present at the Borrower's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications received by the Borrower with respect to the Collateral, all in such manner as the Lender may reasonably require.

Section 4.3 Preservation of Rights. The Lender shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

Section 4.4 Special Provisions Relating to Certain Collateral.

(1) Intellectual Property.

(1) For the purpose of enabling the Lender to exercise rights and remedies under Section 5.5 hereof at such time as the Lender shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Borrower hereby grants to the Lender, to the extent assignable without any consent not theretofore obtained, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Borrower) to use, assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by the Borrower, wherever the same may be located.

(2) Notwithstanding anything contained herein to the contrary, so long as no Event of Default shall have occurred and be continuing, the Borrower will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property. The exercise of rights and remedies under Section 4. 4(b) hereof by the Lender shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Borrower in accordance with the first sentence of this clause (2).

(2) Equipment. The Borrower shall, upon the request of the Lender, deliver to the Lender originals of the certificates of title or ownership for all

Equipment, including Motor Vehicles, covered by a certificate of title owned by the Borrower with the Lender listed as lienholder, and take such other action as the Lender shall deem appropriate to perfect the security interest created hereunder in all such Equipment.

Section 4.5 Events of Default, Etc. During any period during which an Event of Default shall have occurred and be continuing, but subject to the relevant provisions of Section 10.3 of the Credit Agreement:

(1) the Borrower shall, at the request of the Lender, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Lender and the Borrower, designated in the Lender's request;

(2) the Lender may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(3) the Lender shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Lender were the sole and absolute owner thereof (and the Borrower agrees to take all such action as may be appropriate to give effect to such right);

(4) the Lender in its discretion may, in its name or in the name of the Borrower or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(5) foreclose on this Agreement and the security interests created thereby, and sell, lease, assign or otherwise dispose of all or any part of the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Lender or any of its agents in a public or private sale; and/or

(6) with respect to all unexpired leases and executory contracts (within the meaning of the Bankruptcy Code), the Lender shall, without application to or order of the Bankruptcy Court, have the exclusive right, upon the occurrence and during the continuance of an Event of Default on the Termination Date, to direct the disposition, subject to the rights and remedies enforceable by or available to parties, other than the Borrower (including rights under §§ 365 of the Bankruptcy Code), with respect to such property, of the Borrower's right, title and interest in and to any such property, including directing the Borrower to seek any consent necessary to dispose of such property or assume and assign such property to the Lender or its designee. The proceeds from any such disposition shall be applied in accordance with the terms of the Credit Agreement.

Section 4.6 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.5 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, the Borrower shall remain liable for any deficiency.

Section 4.7 Removals, Etc. Without at least 30 days' prior written notice to the Lender, the Borrower shall not maintain any of its books and records with respect to the Collateral at any office or maintain its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere, other than at one of the locations identified in Annex 2 hereto under its name or in transit from one of such

locations to another or (ii) change its name, or the name under which it does business, from the name shown on the signature pages hereto.

Section 4.8 Application of Proceeds. Except as otherwise herein expressly provided, the proceeds of any collection, sale or other realization of all or any part of the Collateral of the Borrower under Section 4.5 hereof, and any other cash of the Borrower at the time held by the Lender under and in accordance with Section 4 hereof or this Section 5, shall be applied by the Lender to reduce the Obligation then outstanding in accordance with the terms of the Credit Agreement.

As used in this Section 4, "proceeds" of Collateral shall mean cash, securities and other property realized in respect of, and distributions in kind of, Collateral, including any thereof received under any reorganization, liquidation or adjustment of debt of the Borrower.

Section 4.9 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Lender while no Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Event of Default, the Lender is hereby appointed the attorney-in-fact of each Borrower for the purpose of carrying out the provisions of this Section 5 and taking any action and executing any instruments which the Lender may deem necessary or reasonably advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest.

Section 4.10 Perfection. Prior to or concurrently with the execution and delivery of this Agreement, each Borrower shall file such financing statements and other documents in such offices as the Lender may request to perfect the security interests granted by Section 2.1 hereof.

Section 4.11 Termination. When all the Obligations shall have been paid in full and the Commitments of the Lender under the Credit Agreement shall have expired or been terminated, this Agreement shall terminate, and the Lender shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Borrower and to be released and cancelled all licenses and rights referred to in Section 4.4(b) hereof. The Lender shall also execute and deliver to the Borrower upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the Borrower to effect the termination and release of the Lien of this Agreement on the Collateral.

Section 4.12 Expenses and Indemnities.

(1) The Borrower agrees to reimburse the Lender for all reasonable out-of-pocket expenses of the Lender (including, without limitation, the reasonable fees and expenses of outside and internal legal counsel) of, or incident to (i) any Event of Default and (ii) any enforcement or collection proceeding resulting therefrom, including, without limitation, (A) performance by the Lender of any obligations of the Borrower in respect of the Collateral that the Borrower have failed or refused to perform, (B) any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Lender in respect thereof, by litigation or otherwise, including expenses of insurance, (C) judicial or regulatory proceedings and (D) the enforcement of this Section 4, and all such expenses shall be Obligations to the Lender secured under Section 2 hereof.

(2) The Borrower agrees to indemnify the Lender from and against any and all reasonable claims, losses and liabilities (including, without limitation, the reasonable fees, client charges and other expenses of the Lender's outside and internal counsel) growing out of or resulting from this Agreement or the enforcement of any of the terms hereof (including, without limitation, the sale of

Collateral pursuant to a public or private offering and each and every document produced in furtherance thereof), except claims, losses or liabilities resulting solely and directly from the Lender's gross negligence, bad faith or willful misconduct, subject to prior written notice to the Borrower and the Committee with a period of ten Banking Days to raise objections to such claims, losses, and liabilities, and further, provided that all such objections shall be resolved by the Bankruptcy Court..

Section 4.13 Further Assurances. The Borrower agrees that, from time to time upon the written request of the Lender, the Borrower will execute and deliver such further documents and do such other acts and things as the Lender may reasonably request in order fully to effect the purposes of this Agreement.

Section 4.14 Releases. Without limiting the obligations of the Borrower hereunder and under the Credit Agreement, upon the sale, assignment, transfer or other disposition of any property effected in accordance with the Credit Agreement, the Lender shall, at the Borrower's expense, execute and deliver to the Borrower such Uniform Commercial Code termination statements and such other documentation as shall be reasonably requested by the Borrower to effect the termination and release of the Lien of this Agreement on such property.

Section 4.15 Other Financing Statements and Liens. Except as otherwise permitted under Section 9.2 of the Credit Agreement and except for precautionary financing statements filed with respect to operating leases (as defined in accordance with GAAP) entered into by the Borrower, the Borrower shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Lender is not named as the sole secured party.

ARTICLE 5

MISCELLANEOUS

Section 5.1 No Waiver. No failure on the part of the Lender or any agent of the Lender to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Lender or any agent of the Lender of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

Section 5.2 Notices. All notices, requests, consents and demands hereunder shall be made in the manner and at the addresses set forth in Section 11.5 of the Credit Agreement.

Section 5.3 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Borrower and the Lender. Any such amendment or waiver shall be binding upon the Lender and the Borrower.

Section 5.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Borrower and the Lender (provided that the Borrower shall not assign or transfer its rights hereunder without the prior written consent of the Lender).

Section 5.5 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 5.6 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 5.7 Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal law of the State of New York, without regard to choice of law principles thereof, except to the extent governed by the Bankruptcy Code.

Section 5.8 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Lender in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Security and Pledge Agreement to be duly executed and delivered as of the day and year first above written.

EMPIRE ONE TELECOMMUNICATIONS, INC.

By_____

Title:

Chief Executive Office:

EOT LENDING CORP.

By_____

Title: President

EXHIBIT 10

MANAGEMENT AGREEMENT

This Management Agreement (the "Agreement"), dated as of April 11, 2001 by and between Sonus Communication Holdings, Inc., a Delaware corporation ("Sonus"), and QUADRANT MANAGEMENT, INC. ("Quadrant"), a Delaware general partnership ("Manager").

The parties hereto hereby agree as follows:

Section 1. **Manager's Duties**

(a) Based on the exercise of the best judgement of the directors of Sonus, Sonus hereby grants to Manager, subject only to any limitations imposed by applicable law and the terms and conditions of this Agreement, full management authority for all of the business affairs and operations of Sonus.

(b) Manager, or any permitted assignee of Manager hereunder, shall provide such management personnel, as it shall, in its sole discretion, deem necessary or desirable to perform Manager's duties hereunder.

(c) Manager shall, to the extent it deems advisable, provide managerial, financial, insurance, sales and marketing, legal and advisory services to, and assume day-to-day operating control of the business operations of Sonus. Manager will use its best efforts to take such action, as it deems necessary to conduct the business operations of Sonus in a prudent manner.

(d) Manager may, from time to time, in its sole discretion, assume and administer such other duties, functions and responsibilities as may be assigned, delegated or requested of it by Sonus's officers and directors.

Section2 **Third Party Consultants**

In fulfilling any or all of the duties and responsibilities set forth herein, or which may otherwise be requested of Manger or which may arise within the scope of Manager's duties and responsibilities hereunder, Manager may utilize the assistance and expertise of such consultants, accountants, lawyers, engineers, specialists and other third party services as it may reasonably deem necessary or advisable, including third parties that may be related to Manage or its affiliate's, so long as the fees of such related consultants are charged on an arm's-length basis. All

costs or expenses incurred or arising as a result of such third party services, utilized on behalf of Sonus or any of its subsidiaries, as the case may be, shall be for the account of, and shall be paid by, Sonus; provided, however, that the consent of Sonus shall be required for any individual cost or expense exceeding $10,000 for any month.

Section3 **Fees and Expenses**

For the services rendered by Manager Sonus pursuant to and during the term of the Agreement, Sonus agrees to pay Manager a fee of one million (1,000,000) warrants with an exercise price of $.01 per share. - Sonus also agrees to reimburse Manager for any direct costs and expensed it may incur in carrying out the terms of the Agreement. Such costs and expensed will be calculated by Manager and invoiced to Sonus on a quarterly basis. Reimbursement by Sonus to Manager for such costs and expenses shall be due within 30 days.

Section 4 **Term of the Agreement**

(a) The term of this Agreement shall be for a period commencing on January 1, 2001, and ending on June 30, 2001 unless previously terminated by the parties hereto in the manner provided herein. This agreement may be renewed at the end of its' term for another six month period, with mutual consent of Sonus and Quadrant.

(b) The termination of this Agreement by either party hereto shall not affect, restrict, diminish or remove any rights, obligations or remedies held or arising by either party under the terms of this Agreement by either party hereto shall not affect, restrict, diminish or remove any rights, obligations or remedies held or arising by either party under the terms of this Agreement up to and through the effective date of termination hereof.

Section5 **Liability; Indemnification**

(a) Manager and its officers, directors, employees, affiliates and agents (collectively, the "Indemnitees") shall have no liability to Sonus or any of its subsidiaries, or to its shareholders, officers, directors, employees, affiliates or agents, or to any third party, for any losses, liabilities, obligations, fines, injunctions or other costs or expenses of any kind, directly or indirectly, sustained, or incurred or arising as a result of the Indemnitees, (or of any third party retained by a result of the Indemnitees' (or of any third party retained by or acting on behalf of Manager hereunder) failure to act, failure to perform, failure to exercise a duty of care of for any other cause or reason, except as may result form Manager's criminal actions, willful misconduct or gross negligence.

(b) Sonus shall indemnify, save and hold harmless the Indemnitees from and against and reimburse the same with respect to any obligation, liability, cost or damage, including costs of defense and investigation (all of which shall be paid from time to time upon request by the Indemnitees, accompanied by a reasonably detailed explanation thereof), directly or indirectly resulting from or relating to the duties, actions and responsibilities of Manager or any other party retained by or acting on behalf of Manager under the terms of this Agreement or otherwise relating to such party due to such party's actions ;or failure to act hereunder; provided, however, that such indemnification shall not be applicable to any obligation, liability, cost or dame resulting from Manager's criminal actions, willful misconduct or gross negligence hereunder.

(c) Sonus shall include endorsements on all its insurance policies, as Manger shall from time to time request as additional insured thereunder. Manage shall be listed as an additional insured by Sonus on all insurance coverage, including corporate general

liability insurance, maintained by Sonus, in such amounts and with such provision and limitation as Manager may reasonably deem acceptable for the adequate protection of Manager.

(d) Manager shall indemnify, and hold harmless Sonus and its shareholders, officer, directors, employees, affiliates and agents, from and against and reimburse the same with respect to any obligation, liability, cost or damage including costs of defense and investigation (all of which shall be paid from time to time upon the request of any of the foregoing, accompanied by a reasonably detailed explanation thereof), directly or indirectly resulting from or relating to the criminal actions or willful misconduct of manger hereunder.

Section6 **Modification**

Except as otherwise provided herein, neither this Agreement nor any provision hereof may be modified, changed, discharged, waived or terminated except by an instrument in writing signed by the party against whom the enforcement of any such modification, change, discharge, waiver or termination is sought.

Section7 **Entire Agreement**

This Agreement and the other writing refereed to herein or deliver pursuant hereto which form a part hereof contain the entire Agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understanding with respect thereto.

Section8 **Notices**

Any and all notices or demands hereunder shall be in writing and shall be served either personally or by telex or facsimile; when confirmed by immediate express courier. If served personally, service shall be conclusively deemed made at the time of service. Ids served by express courier, on receipt thereof. Notices shall be addressed to the party at the address set forth on the last page of this Agreement or such other address as may hereafter be designated in writing by a party hereto.

Section9 **Survival**

The indemnifications granted under Section 5 above shall survive the termination or cancellation of this Agreement and shall find and inure to the benefit of the parties hereto, their successors and assigns.

Section10 **Successors and Assign**

This agreement shall bind and inure to the benefit of the parties hereto and their respective successors, permitted assigns and representatives. This Agreement shall not be assignable, in whole or in part, without the express written consent of the whole or in part, without the express written consent of the other party; provided, however, that this provision hall in no way limit the right of Manage (a) to enlist the assistance of, hire or retain on the behalf of Sonus consultants, experts or other third parties in assisting it in carrying out and administering Manager’s duties and responsibilities hereunder, or (b) to assign or transfer its duties and responsibilities to another company which is wholly or majority-owned or controlled by

(i) Manage or (ii) such persons as control Manager

Section11 **Relationship**

The sole relationship existing between Sonus and Manager shall be that as reflected under the terms of their Agreement. This Agreement shall not be construed as creating any partnership, joint operation or organization wherein the parties hereto are deemed to be partners.

Section12 **Cooperation**

The parties hereto agree to execute and deliver from time to time such additional documents, instruments, agreements, and other evidences of authority as may be necessary or prudent to carry out the intent of this Agreement and the transactions contemplated hereby.

Section13 **Amendments**

This Agreement may be amended only in writing executed by the parties hereto. Any amendment of this Agreement shall be dated, and, where any conflict arises between the provisions of said amendment and provisions incorporated in earlier documents, the most recent provisions shall be controlling.

Section14 **Waiver**

Any party hereto may, in writing, waive any term, covenant, condition or contingency for its benefit contained herein, provided that no such waiver shall operate to waive any other term, covenant, condition or contingency not expressly included in such waiver. The waiver by any party hereto or any breach or violation of any term, covenant or condition contained herein shall not be deemed a waiver of any other breach or violation thereof or of any other term, covenant, condition or other provision hereof.

Section15 **Severability**

Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance, or regulation contrary to which the parties hereto have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement affected thereby shall be curtailed an limited only to the extent necessary to bring it with the requirement of law, and all remaining provisions of this Agreement shall remain in force and effect.

Section16 **Governing Law**

The parties hereto agree that all questions as to the validity, construction and performance of this Agreement shall be governed and construed in accordance with the internal laws of the State of New York, without giving effect to its conflict of law provisions.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above dated.

SONUS COMMUNICATION HOLDINGS, INC.

By:

_____

Name:
Title:

QUADRANT MANAGEMENT, INC.

By:

_____

Name:
Title: